

**CRITICAL EVALUATION
OF THE
ENTREPRENEURSHIP & MARKETING
INTERFACE:
EVIDENCE FROM NEW VENTURES IN THE UK**

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ABSTRACT

Entrepreneurship is growing in popularity and importance, as is evident from the increasing amount of interest shown for this domain in practice and academia. This thesis examines an under-researched area in the field of entrepreneurship that relates marketing to new ventures. New business start-ups are a key focus of government policy, and marketing is a key component of a new approach to business management. Marketing is critical to the success of new entrepreneurial ventures, but this is a topic that has received very little attention from scholars of either marketing or entrepreneurship. However, an effective strategy allows new businesses to gain sales by providing products and services that offer superior benefits to customers. Therefore, there is a need to understand how entrepreneurial marketing works in practice; this knowledge will improve the overall success rates of new entrepreneurial ventures. Findings from this study confirm that entrepreneurs do view marketing activities as important and utilise marketing tools in the day-to-day management of their businesses. However, entrepreneurs' marketing strategies are not formalised with the level of sophistication associated with large organisations. Rather, our data suggest that new entrepreneurs have an intuitive grasp of the key elements associated with a structured marketing strategy, even though the usage of those marketing activities may differ from that used in large organisations and text-book practices.

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CHAPTER 1: ABOUT THE RESEARCH

1.0 Introduction

In the quest for greater knowledge of the entrepreneurial process, there must be intellectual and practical collisions between academic theory and the real world of practice. The standard academic notion – *that may be all right in practice, but does it work in theory?* – is simply not acceptable. This integrated, holistic balance and juggling act is at the heart of what we know about the entrepreneurial process and getting the odds in your favour (Timmons, 1990). The need to bridge the gap between theory and practice is not only applicable to the entrepreneurial process; it is even more evident in the case of entrepreneurial marketing, which in this case refers to the ways in which entrepreneurs use marketing activities. This thesis explores how entrepreneurs or entrepreneurial organisations use marketing as a way of taking advantage of opportunity. New business start-ups are a key focus of government policy, and marketing is a key component of a new approach business to business management.

The addition of new enterprises to the economy has long been considered essential to economic growth, and the process of venture creation in the private sector has been heavily researched and frequently modelled (Haugh, 2007). The importance of entrepreneurship to economic development cannot be understated as it relates to job creation, wealth creation, business growth, and economic prosperity (Neck, Meyer, Cohen and Corbett, 2004); these are all outcomes of entrepreneurship when healthy systems are in place (Morris, 1998). There is a world wide predominance of the small-to-medium-sized enterprise (SME), and marketers should consider whether they need to segment and target marketing knowledge, practice and attitudes towards this business type (Day, 2000). It is argued that marketers need to be able to develop entrepreneurship within the context of marketing and marketing within the context of entrepreneurship in order to be able to fully understand the small firm, one of the most common of business forms (Day, 2000). In other words, marketers should think about how much of their existing marketing knowledge is appropriate to the SMEs and how

much need to be reconsidered and adapted. Marketing is critical for new ventures to be established and to survive; therefore, Bjerke and Hultman (2002) indicated that marketing is closely related to growing small firms. Vehees and Meulenberg (2004) found evidence of the positive impact of market orientation on firm performance, and thus, by narrowing the gap between theory and practice, the success rate of new ventures will be improved.

For over twenty-five years, researchers have attempted to establish links between entrepreneurship and marketing (Kirkpatrick, 1983). According to Styles and Seymour (2006), although entrepreneurship is a growing global phenomenon, contributions from marketing to research and theory development in entrepreneurship have been minimal. Morris, Schindehutte and LaForge (2002) proposed entrepreneurial marketing as an integrative construct that represents a different approach to envisioning the business, its relationship with the marketplace and the role of the marketing function within the firm. To date, key contributions to our understanding of entrepreneurial marketing come mainly from traditional marketing such as the '4 Ps'¹ (McCarthy, 1996). It is interesting to note that, although many researchers have succeeded in developing links between entrepreneurship and marketing, there is still a substantial gap when examined from both theoretical and practical perspectives (Carson, 1998; Fillis and Rentschler, 2005; Styles and Seymour, 2006; Phua and Jones, 2010)

Entrepreneurs practice marketing in mostly unconventional ways, although there is evidence of convergence with traditional marketing in many respects and indications that entrepreneurs view marketing as an important function in achieving their business goals (Gungaphul and Boolaky, 2009). It is widely accepted that entrepreneurs and owner-managers of small firms do not generally engage in formal planning activities, nor do they have the skills to use sophisticated analytical tools (Posner, 1985; Woods and Joyce, 2003; Rogoff, Lee and Suh, 2004), and each has their own distinct marketing style. This distinct style is congruent with company size, the personality of the owner-manager, available resources and the nature of the operating environment compared to large firms (Blankson and Omar, 2002; Stokes, 2002; Blankson, Motwani and Levenburg, 2006). New entrepreneurs might not undertake rigorous information processing because they are

1 4Ps: Elements of the marketing mix – Product, Price, Place, Promotion

focused on other activities during the start-up process (Cooper, Folta and Woo, 1995). As pointed out by Gruber (2007), there are very few studies which actually explore links between planning and performance in emerging firms. Nevertheless, it appears that formal business plans are uncommon amongst small firms, especially those at the very early stages of operation (Gibson and Cassar, 2002). Because entrepreneurs are faced with high levels of uncertainty, much of their decision-making is based on assumptions rather than historical trends (Gruber, 2007). However, Robinson, Pearce, Vozikis and Mescon (1984) suggest that younger firms can benefit from a more structured approach, particularly when it is focused on marketing and sales. This is supported by Bracker, Keats and Pearson (1988) who argued that the adoption of formal planning procedures is important for entrepreneurial firms. More recently, Shane and Delmar (2004) found a positive relationship between planning and new firm performance. Mazzarol (2001) indicates that even if entrepreneurs do not prepare formal business plans, they still engage with planning at an informal or intuitive level (Bhide, 2000).

Stokes and Blackburn (1999) argue that market planning in small businesses is informal, unplanned and relies on owner-manager intuition. Furthermore, marketing is regarded as a low priority because it is seen as something that is more relevant to larger organisations (Stokes and Blackburn, 1999). In response to calls for more focus on marketing practices in smaller firms, Blankson and Omar (2002) studied twenty-six African-Caribbean businesses based in London. Their research confirmed the importance of market orientation for small businesses, but found that such activities tended to be carried out informally. “In other words, our sample seems to apply ‘common sense’ business/customer oriented tactics rather than the ‘text book’ marketing tactics and strategies.” (Blankson and Omar, 2002, p.130)

1.1 Supporting Entrepreneurs: The New Entrepreneurship Scheme

The UK Government’s action plan for small business (SBS, 2004) indicated a commitment to increasing enterprise in disadvantaged communities and among groups currently under-represented in small enterprise. It stated that the government sought to match levels of entrepreneurial activity among disadvantaged and under-represented groups with those of more affluent cohorts. Initiatives employed to pursue this goal include the new entrepreneurship scholarship (NES) programme, which provides support

to people from disadvantaged areas for starting new businesses (Rouse and Jayawarna, 2006). The NES scheme was the result of a meeting between representatives of the Treasury, the Department for Education and Employment (DfEE), the Association of Business Schools (ABS), the Prince's Trust (PT) and enterprise agencies (Taylor, Jones and Boles, 2004). The NES programme helps people living in disadvantaged areas by providing a comprehensive package of support, mentoring, and funding in order to encourage the start-up and growth of new businesses (NFEA, 2008). This is similar to other enterprise programmes currently operating in Britain (the PT) in that it provides a modular package of pre-start-up guidance and training, start-up funding and ongoing mentoring (Rouse and Jayawarna, 2006). Although the exact model of support varies regionally, one notable approach employs action learning sets to develop the social capital of participants (Taylor *et al.*, 2004). The programme is administered through regional partners, delivered by a variety of local agencies throughout England and has supported over three-thousand and five-hundred 'scholars'.

1.2 New Venture Creation

The NES scholars tended to have relatively new business start-ups and are thus categorised under new ventures creation. Mazzarol, Volery, Doss and Thein (1999) suggested that the driving force behind the modern economy is *Entrepreneurship*, by which entrepreneurs meet the current economic needs through the creation of thousands of jobs each year. These new ventures provide the necessary economic growth as well as the opportunities for job creation. Mazzarol *et al.* (1999) also stated that virtually all previous studies focused on entrepreneurs actually working in a new business, and have ignored persons who still are in the process of starting a new business. According to Krackhardt (1995), research usually defined entrepreneurship in two ways: the *entrepreneurial firm* and *entrepreneurial people*. Aldrich and Austen (1986) categorised entrepreneurial firms as usually small firms, which, as suggested by Birley (1986), tended to be organic and network-based rather than mechanistic and bureaucratic. Low and MacMillan (1988), however, provide a definition that is more relevant to the focus of this research. They described entrepreneurship as the 'creation of a new enterprise'. In support of this definition, Bygrave (1989) suggested that this reflects a growing awareness that entrepreneurship is a process of *becoming rather than a state of being*.

Gartner (1994) stated that before organisations there are pre-organisations, which initially exist only as the thoughts, ideas, or dreams of an individual. It is through the start-up process that the founder's thoughts are sometimes translated into a pre-organisation, and then sometimes, an organisation. Central to this process is the founding individual - the entrepreneur. This is the reason why, according to Mazzarol *et al.* (1999), early research on entrepreneurship focused mainly on the characteristics of the entrepreneur. Aldrich, Carter and Ruef (2002) indicated that in studies of the process of team formation, women were more likely to start solo-owned businesses while men were more likely to use teams. Most teams were likely to involve a spouse/partner or another family member, but in those other situations, the team member was likely to be of the same sex as the lead entrepreneur. Nearly all team-based business start-ups involved members with strong ties. Gartner, Shaver and Gatewood (2000) and Carter, Gartner, Shaver and Gatewood (2003) state that comparisons made between nascent entrepreneurs and the non-entrepreneurs on the reasons for choosing to start businesses or select employment, indicate that, in general, nascent entrepreneurs are similar to non-entrepreneurs on such categories of reasons as financial security, independence, self-realization, and autonomy, and that nascent entrepreneurs were less likely to be concerned with the roles, traditions and values of family, friends, and others in the community. The Global Entrepreneurship Monitor (GEM) describes nascent entrepreneurs as people who are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months.

Evidence from the literature (e.g. Reynolds, 2000; Gartner and Carter, 2003) suggests that some start-up activities are common across nascent entrepreneurs; such activities include the writing a business plan, organising a start-up team, developing a prototype, hiring employees, making a first sale, etc. These activities are tactical because they represent specific, directed actions that lead to the goal of organizational creation (Lichtenstein, Dooley and Lumpkin, 2006). However, Jones and Holt (2008) stated that, although much of the extensive literature on small firms and entrepreneurship focuses on the key issue of business start-up, any understanding of what is involved in creating new ventures and managing the threats to their early survival remains patchy. There is little evidence to suggest a common pattern of events, and the potential reasons for this dearth are differences in testing procedures and sampling techniques (Mazzarol *et al.*, 1999), the reliance on retrospective accounts long after they start their business (Carter *et al.*, 2003)

and limited access to appropriate research targets (nascent entrepreneurs) (Lichtenstein *et al.*, 2006). According to Matthews and Human (2000), nascent entrepreneurs who were more likely to prepare written business plans were less likely to have high growth expectations for their prospective new businesses. In addition, nascent entrepreneurs who perceived a high level of operational uncertainty (e.g. inability to control critical resources within the firm) were less likely to have high growth expectations. Gartner and Shaver (2002) stated that nascent entrepreneurs offered interpretations for opportunities that were internal (stable and variable). That is, nascent entrepreneurs saw opportunities as originating from within, either as a product of their abilities (internal/stable attributions) or their effort (internal/variable attributions).

New ventures almost always begin with a goal or vision of some form, implying an initial rational outlook (Baum, Locke and Kirkpatrick, 1998; Shane and Venkataraman, 2000). However, Gartner, Carter and Hills (2003) found that in only about a third of new venture start-up efforts did nascent entrepreneurs begin with an idea first; they were more likely to desire to be in business or engage in start-up activities when they had both the desire and an idea. Hmieleski and Corbett (2008) describes new venture creation and/or the entrepreneurial process as being similar to improvisational activity (Baker, Miner and Eesley, 2003; Baker and Nelson, 2005; Hmieleski and Corbett, 2006), which is a deliberate and intentional process. In this perspective, both planned and emergent behaviour are blended together. The entrepreneurial environment is complex and often uncertain, and thus it is no easy task for the entrepreneur to be able to successfully plan for every scenario that he or she will face. However, it is also not possible for entrepreneurs to survive by always waiting for the potential problems to occur and then attempting to provide a solution. Effective entrepreneurial behaviour tends to comprise a blending between planned and spontaneous action, a problem space that is characteristic of improvisational behaviour (Hmieleski and Corbett, 2008). In order to be successful within this context, confidence in one's entrepreneurial-related skills is essential, especially their ability to recognise critical resources and how they might be recombined to solve problems and exploit opportunities (Hmieleski and Corbett, 2008). They must also have confidence in their ability to improvise in their interactions with employees, customers, and suppliers, not necessarily as a need to use improvisation as a strategic tool, but rather because they will often be required to do so out of necessity if they are attempting to lead their venture toward high-growth (Hmieleski and Corbett, 2008).

Furthermore, entrepreneurs who are enthusiastic and positive about their ideas and new ventures tend to be highly persuasive when making presentations to potential investors, customers, or employees (Baron, 2007). There is, essentially, a broad range of skills, knowledge, and capacities that entrepreneurs bring to their new ventures, and the number and quality of relationships they have with others both within the outside the new venture can have impacts on a new venture (Davidsson and Honig, 2003; Baron, 2005). In particular, the optimism, enthusiasm, passion, and energy that are the hallmarks of many entrepreneurs (Simon, Houghton and Aquino, 2000) may provide them with an important asset—one that assists them in performing many of the activities required for launching and operating new ventures (Baron, 2007)

1.3 Aims, Objectives, Contribution and Thesis Structure

This study covers new entrepreneurial ventures, whose activities are not widely researched in the context of marketing. The research endeavours to analyse the role of marketing in the context of new entrepreneurial ventures based on an in-depth study of NES scholars. The research question is, “Does *Marketing Strategy* play a role within *Entrepreneurial Success*?”. There is a clear gap within the current literature on the role that *marketing strategies* have on *entrepreneurial start-ups*. In the articles that were reviewed, more than half of the studies were literature reviews and conceptual studies suggesting that there is a lack of empirical studies that would be beneficial to provide further insights into the topic of *Entrepreneurship* and *Marketing*. The literature has also indicated that business performance is positively related to entrepreneurial orientation and market orientation. At the same time, there seems to be a gap between the theory and practice of *Entrepreneurship* and *Marketing*. The primary aim of this study will be to contribute to both research and practice modes of knowledge dissemination, in order to bridge the gap between theory and practice. Furthermore, it will be used to contribute to the current teaching model used for *Entrepreneurship* training programmes, with the intention of enhancing the survival rates of entrepreneurial ventures. The following figure 1.1 illustrates the conceptual model for this particular research.

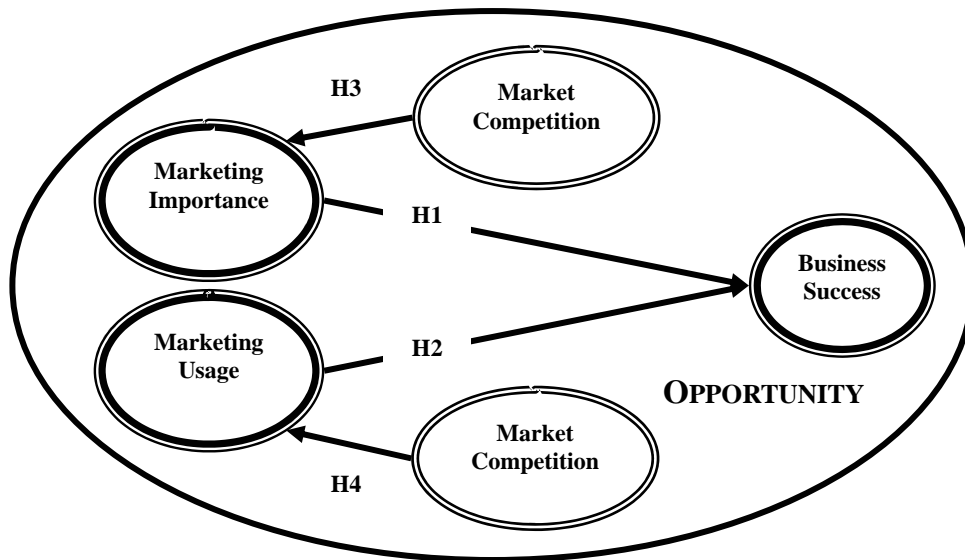


Figure 1.1: The Research Model

The main research objectives are:

- To produce empirical research lacking in current research
- To produce quantitative research as opposed to qualitative research, which is dominant in the current field
- To understand the marketing view of entrepreneurs (especially entrepreneurs in start-ups)
- To identify the marketing activities practiced by start-ups
- To compare and assess whether the views of marketing has an impact on the usage of marketing activities
- To assess whether marketing activities have an impact on business performance
- To assess whether market competition has an impact on marketing activities
- To get opinions of experts on the findings of this research

Due to the ongoing debate over the definition of various terms pertinent to this research, there is a need to specifically define the definitions adopted for this particular piece of research. Unless otherwise specified, the terms are defined for this thesis as follows:

- *Entrepreneurship* – the creation of a new business, enterprise or organisation
- *Entrepreneur* – the person at the centre of the new venture creation process and central to the investigation of entrepreneurship
- *Small Business Start-up / New Venture* – a small business (1-50 employees) that is new and in the start up process

- *Entrepreneurial Marketing* – the marketing activities taken by entrepreneurs managing the above-mentioned small business
- *Population* – entrepreneurs involved in new business start-ups
- *Sample* – NES entrepreneurs
- *Respondents* – NES entrepreneurs that responded and provided data for this research

The structure of the thesis is organised as follows. The second chapter details the concept of entrepreneurship and entrepreneurial processes. In the third chapter, the focus is on the concept of marketing and entrepreneurial marketing. The literature collation is done with the help of a *systematic literature review*, a technique which encourages the exploration of the existing literature (Pittaway, Robertson, Munir, Denyer and Neely, 2004). The fourth chapter describes the conceptual framework for this research, and the fifth chapter is concerned with the methodology. Subsequently, in chapter six some preliminary statistical analysis and discussion about the empirical data is reported. Following that in chapter seven, the results of more detailed statistical analyses that were performed on the data in relation to the key research objectives are presented. In chapter eight, there is a discussion about these results, followed by conclusion, research limitations, and suggestions for future research as well as the section on reflections that present the expert opinions.

CHAPTER 2: ENTREPRENEURSHIP: NATURE, NEEDS AND MARKETING

2.0 Introduction

As was described in the introduction, this research is about entrepreneurship and marketing. The focus is on new ventures and, in turn, the entrepreneurs and owner/managers who are at the centre of the new venture creation process and central to the investigation of entrepreneurship. The current chapter sets the context for this research, building up to emphasise the importance of understanding and applying marketing in the entrepreneurial sector of the economy. This chapter is concerned with the extant research agenda in entrepreneurship, highlighting that there is much research concerned with the nature of entrepreneurial organisations and entrepreneurs. The issue of opportunity is established as central to entrepreneurial endeavour, and this is closely connected to marketing as an approach to take advantage of opportunity.

One of the aims of this chapter is to define the importance of entrepreneurship to the current economy and how entrepreneurial success can be enhanced through the use of complementary skills, such as marketing. Therefore, it is imperative to first define what entrepreneurship is, and so this chapter begins with an exploration of the different theories and practices within the field of entrepreneurship. Following that, the chapter explores the characteristics of entrepreneurs and entrepreneurship. Entrepreneurs go through a process in order to create new ventures, and thus it is essential to explore the entrepreneurial process of new venture creation to understand the different aspects of it. In line with new venture creation, the topic of opportunities and opportunity identification is discussed; because opportunities have to exist in order for the entrepreneurial process of new venture creation to occur, it can even be said that the entrepreneurial process is opportunity driven. Therefore, this chapter begins with entrepreneurship definitions, theories and practices, is followed by entrepreneurial characteristics and the entrepreneurial process, and continues on to opportunity identification. Subsequently, the notion of entrepreneurial marketing is explored in the last section of this chapter as a means to take advantage of entrepreneurial activities.

2.1 Understanding Entrepreneurship

There have been many varying definitions (discussed in details in the following section) of entrepreneurship presented over the years. generally, they can be said to address two relatively distinct social realities (Davidsson, 2004). The first social reality indicates that entrepreneurship is anything that concerns independently owned (and often small) firms and their owner-managers; the second social reality relates to the development and renewal of any society, economy or organisation that requires micro-level actors who have the initiative and persistence to make change happen (Davidsson, 2004). The start-up of new independent ventures (small businesses) would seem to be the only natural candidate for inclusion under both views.

There have been several key developments in the research for the small business field. One of the most commonly cited is the Bolton Report (1971) that provided a springboard for an ongoing agenda of small firm policy intervention in the United Kingdom. The focus of the report was on analysing the importance of the small firm sector in the economy, thus rhetorically enlisting small businesses as functionaries within a Parsonian economic machine (Lipset, 2000), bringing attention to the valuable contribution that small businesses made to economic and social well-being. The concluding remark made by the Bolton Report (1971, p.344) stated that: *“if small firms did not exist it would be necessary to invent them”*. This is because of the unique contribution that they make – to the economy and to the local and regional communities where they are based – that is different to that of large firms. Some other key developments in the research in the small business field includes the establishment of the U.S. Small Business Administration in 1953 with the purpose of aiding, counselling, assisting and protecting the interests of small business concerns. Subsequently, Penrose (1959) commented that small and large firms are as fundamentally different from each other as a caterpillar is from a butterfly. Decades later, people started looking at small business in a new way after the book by Schumacher (1973) helped them to understand the particular contribution that these firms make.

Entrepreneurship has become a focal point of public policy as governments at all levels have made promoting entrepreneurship and enterprise a priority. However, existing research is far from conclusive in terms of providing a comprehensive definition or

measure of entrepreneurship (Godin, Clemens and Veldhuis, 2008). In fact, some researchers refer to the difficulty of constructing a definition of entrepreneurship (and/or entrepreneurship index) as a “*Search for Heffalump*” (Carland, Carland and Ensley, 2001) or looking for a “*Holy Grail*” (Hindle, 2006). The field of Entrepreneurship is not well defined, but there are many important attempts. A review of many such definitions is needed to understand the ever-expanding subject and wide range of perspectives. As Schumpeter described over a century ago, entrepreneurs are vital to economic development not because they take risks (as we have seen recently in financial markets, risk-taking does in itself not correlate with the creation of social value), but rather because they create *new combinations* of economic activity (Acs and Szerb, 2009). The word entrepreneur, and the concepts derived from it such as entrepreneurial, entrepreneurship and entrepreneurial process, are frequently encountered in discussions of the management of new, fast-growing, innovative business ventures (Wickham, 2006).

Entrepreneurship is change and making a difference: the world is not the same after the entrepreneur has finished with it (Wickham, 2006). This important role deserves understanding, and thus research is required on *Entrepreneur's* activities/decisions to understand what *Entrepreneurship* is and thereby help them succeed in bringing about such differences. Hisrich (1988) mentioned that there has been a significant growth of interest on the topic of entrepreneurship. Prior to this increase in interest, individuals felt that the economic well-being of the world revolved around large corporations and governmental support. Hisrich (1988) also pointed out that there was a lack of theory development and of a theoretical framework for entrepreneurship. A theory which integrates the basic principles and tools of related academic disciplines in business, engineering, science and the arts (e.g. using some standardised constructs from marketing, useful in understanding the entrepreneurial process, to develop a theory or paradigm) would be beneficial to the field of entrepreneurship. The involvement of other disciplines in entrepreneurial research and the integration of relevant ideas are essential for this development of a strong theory (Hisrich, 1988). Pitt and Kannemeyer (2000) suggested that entrepreneurship research tends to focus either on the qualities and activities of the firm or on the underlying characteristics and orientation of the people involved in the venture. Similarly, consistent patterns can be seen in entrepreneurship studies that had been conducted: generally they include the study of personal characteristics, the recognition of opportunities, management and leadership styles and the adaptation of an

existing venture or intrapreneurship (Smart and Conant, 1994). Singh (2001) pointed out that entrepreneurship research in the past had been criticised as having breadth but little depth. The phenomenon of entrepreneurship is present at various levels of observation, such as the person or the firm, region or industry, and even nation (Wennekers and Thurik, 1999; Davidsson, 2004). Moreover, the approaches to explaining the phenomenon have built on a variety of disciplines, such as economics, sociology and psychology (Wennekers, Van Stel, Thurik and Reynolds, 2005).

2.1.1 Entrepreneurship: Theories and Practice

As early as 1934, Schumpeter introduced the modern concept of entrepreneurship. He defines entrepreneurship as “*the carrying out of new combinations we call ‘enterprise’; the individuals whose function is to carry them out we call ‘entrepreneurs’*” (Schumpeter, 1934, p.74). However, even though there can be many types of entrepreneurs, one is an entrepreneur only when s/he actually carries out new combinations, known as enterprises (Schumpeter, 1934), and loses the entrepreneurial characteristic as soon as she has built up her business and settles down to run it as other people run their business. Shane and Venkataraman (2000) describe the field of entrepreneurship in more detail compared to Schumpeter’s definition. Entrepreneurship is the study of ‘*how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited*’ (Shane and Venkataraman, 2000, p.218).

From its inception as a topic of study, entrepreneurship has been dominated by economic theories; however, there are moves towards a wider view of the subject, since approaches based on economics alone have limitations which are being recognised, and new interpretations are emerging to offer alternate perspectives (Rae, 2007). As entrepreneurship is a phenomenon which occurs at the interface between different subject areas, relying on economics alone to understand it is not sufficient. Thus the contributions of human dynamics and social sciences are increasingly relevant (Rae, 2007). In a recent compilation of the global entrepreneurship index Acs and Szerb (2009) defined entrepreneurship as a dynamic interaction of entrepreneurial attitudes, entrepreneurial activity, and entrepreneurial aspirations that vary across stages of economic development. Entrepreneurship is also recognised as distinct from small business ownership, self-employment, craftsmanship and is not necessarily associated

with buyouts, change of ownership or management succession (Acs and Szerb, 2009).

Bjerke and Hultman (2002) stated that entrepreneurship is essentially equivalent to the concept of creating new ventures and renewing old ones. They also mention that in order for entrepreneurship to start, certain prerequisites (e.g. mentality, attitudes) are necessary, and for the entrepreneurial process to take place, certain entrepreneurial capacities (e.g. marketing) are required. Littunen (2000) indicated that entrepreneurship implies activities connected with owning and managing a business firm. Similarly, Weerawardeena (2003) posited that entrepreneurship is the key factor in determining the capability building activity of the firm. Morris *et al.* (2002) pointed out that entrepreneurship includes a set of activities necessary to identify an opportunity, define a business concept, assess and acquire the necessary resources, then manage and harvest the venture. They also stated that a growing body of evidence suggested that the more successful firms are those that engage in higher levels of entrepreneurial activity.

Entrepreneurship has also been characterised as a process that takes place in different environments and settings that causes changes in the economic system through innovation brought about by individuals and that create value for these individuals as well as the society (Churchhill and Muzyka, 1994; Gartner, 1994). Similarly, Hisrich (1992) perceived entrepreneurship as the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting monetary rewards and personal satisfaction. These definitions are different from Wickham because they describe entrepreneurship as processes and differ from Schumpeter in that they include additional factors such as changes in the economic system and value creation for the individuals, the society (Churchhill and Muzyka, 1994; Gartner, 1994) and risk-taking (Hisrich, 1992).

Smart and Conant (1994) proposed that entrepreneurship could be simply defined as a dynamic, goal-oriented process whereby individuals combine creative thinking to identify marketplace needs and new opportunities with the ability to manage, secure resources and adapt to the environment to achieved desired results. In a slightly different way, Carson, Cromie, McGowan and Hill (1995) suggested that entrepreneurship is best understood as a process: an action-oriented way of thinking and behaving, that focus on

innovation and change. They also state that the key constituents of this process are the entrepreneur, the opportunity and the acquisition and management of resources, whereby the entrepreneur plays the central role in managing a good fit between the opportunity and the resources needed to exploit that opportunity. These authors add the key idea of viewing entrepreneurship as processes to our definitions and begin to show the importance of the concept of opportunity, which will be expanded on later.

Entrepreneurship has also been described as a new entry into the market (Lumpkin and Dess, 1996), the creation of a new enterprise (Low and MacMillan, 1988) or the creation of new organisations (Gartner, 1988). At the same time, entrepreneurship was also depicted as a purposeful activity to initiate, maintain and aggrandise a profit-oriented business (Cole, 1949) or the act of taking advantage of opportunities by novel combinations of resources in ways that have impact on the market (Wiklund, 1998). It has also been referred to as the process by which individuals – either on their own or inside organisations – pursue opportunities without regard to the resources they currently control (Stevenson and Jarillo, 1986) or as a process of creating something different with value by devoting the necessary time and effort; assuming the accompanying financial, psychological and social risks; and receiving the resulting rewards of monetary and personal satisfaction (Hisrich and Peters, 1989).

Although a generally accepted definition of entrepreneurship is lacking, there is agreement that the concept comprises numerous dimensions. For example, Gartner (1990) describes eight elements of entrepreneurship, Wennekers and Thurik (1999) outline thirteen and Godin *et al.* (2008) identify six. Due to the recognition of a lack of consensus among researchers active in the study of entrepreneurship, Gartner (1990) conducted a Delphi survey of academic researchers and business leaders. A three-phase process failed to result in a single accepted definition, but, through the use of factor analysis, eight principal ideas or themes were identified (Gartner, 1990, p.21-26):

1. **The entrepreneur:** *the idea that entrepreneurship involves individuals with unique personality characteristics and abilities.*
2. **Innovation:** *doing something new as an idea, product, service, market, or technology in a new or established organisation.*
3. **Organisation creation:** *behaviours involved in creating organisations.*
4. **Creating value:** *transforming a business, creating a new business, growing a*

business, creating wealth, or destroying the status quo.

5. ***Profit or non-profit:*** *whether entrepreneurship involved profit-making organisations only.*
6. ***Growth:*** *whether the venture is growth-oriented or follows a rapid-growth policy.*
7. ***Uniqueness:*** *a special way of thinking, a vision of accomplishment, ability to see situations in terms of unmet needs, and create a unique combination.*
8. ***The owner-manager:*** *the management and ownership of an ongoing smaller organisation.*

Gartner (1990) concluded that the eight themes describe many different types of activities and states of existence. Therefore, there is a need to be aware that when entrepreneurship is spoken of there is the possibility of including any of a wide range of beliefs. Some may believe that entrepreneurship must involve risk-taking individuals who start innovative new ventures that experience rapid growth, while others may be concerned only about entrepreneurship as starting new ventures (Gartner, 1990). It must recognise that entrepreneurship has many different meanings, and a consensus on the definition of entrepreneurship has yet to emerge. Throughout its intellectual history, the entrepreneur has worn many faces and fulfilled many roles. There are at least thirteen distinct roles for the entrepreneur that can be identified in the economic literature (Wennekers and Thurik, 1999):

1. *The person who assumes the risk associated with uncertainty.*
2. *The supplier of financial capital.*
3. *An innovator.*
4. *A decision-maker.*
5. *An industrial leader.*
6. *A manager or a superintendent.*
7. *An organizer and coordinator of economic resources.*
8. *The owner of an enterprise.*
9. *An employer of factors of production.*
10. *A contractor.*
11. *An arbitrageur.*
12. *An allocator of resources among alternative uses.*
13. *The person who realizes a start-up of a new business.*

Wennekers and Thurik (1999, p.46) went on to define entrepreneurship as the manifested ability and willingness of individuals, on their own, in teams, within and outside existing organisations, to:

- perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product-market combinations)
- introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions.

Godin *et al.* (2008) found that, despite their unique characteristics, the German, Chicagoan, and Austrian schools of thought on entrepreneurship have six common elements, which is important for two reasons. They provide a first step towards a comprehensive definition of entrepreneurship, and they provide criteria for measurement. As we move forward, using these common areas of agreement and understanding the differences may be the key to being able to measure entrepreneurship (Godin *et al.*, 2008). The six elements are (Godin *et al.*, 2008, p.6)

1. ***Enterprise:*** *entrepreneurship is the process of bringing new ideas into the market for the pursuit of profit*
2. ***Innovation:*** *entrepreneurs “innovate” by being alert to profitable opportunities and having the ability to combine existing resources in new and different ways to bring a new idea into the market*
3. ***Process:*** *entrepreneurship is a temporary process of commercializing an idea that consists of different functions (e.g., the innovating function, the financing function, etc .)*
4. ***Risk-taking:*** *the entrepreneurship process consists of bringing a new idea into the market in the face of an uncertain outcome*
5. ***Spectrum of entrepreneurial action:*** *entrepreneurship can range from grand and radical new innovations to more incremental, smaller innovations such that it can exist in a number of different types and sizes of organizations*
6. ***Economic change:*** *entrepreneurship is a cause of economic change, in that it brings new innovation into the market, creating jobs, wealth, and business opportunities*

The list of definitions by several authors presented in this section shows numerous variations in how the term *entrepreneurship* has been defined. The term entrepreneurship

has resisted precise definition for over two-hundred years (Morris and Lewis, 1995); therefore it may be assumed that even a commonly accepted definition may be discarded in the future (Smart and Conant, 1994). As mentioned by Carson *et al.* (1995), the definition will depend on the individual researcher's personal perspective and approach as to how the entrepreneur and entrepreneurship is eventually interpreted and defined. This can be said to be caused by the richness of the phenomenon, which results in the fact that there is a lack of common understanding of what constitutes *entrepreneurship* (Davidsson, 2004). No-one can claim to have one true answer to questions related to the phenomenon *entrepreneurship*.

As previously mentioned, the different definitions that have been presented over the years can be categorised into addressing two relatively distinct social realities (Davidsson, 2004). The *first* social reality is embodied in the phenomenon that some people choose to strike out on their own; rather than working for somebody else with an employment contract, they become self-employed, or team owner-managers of an independent business. An independent business implies radically different risk/reward structures, much wider possible financial outcomes, and more fluid borders between work and leisure, while often requiring innovation. When the concept *entrepreneurship* is used for this social reality, topics like self-employment, small business management, stages-of-development models and family business issues become aspects of entrepreneurship. In short, from this view entrepreneurship is anything that concerns independently owned (and often small) firms and their owner-managers.

The *second* social reality that emerges as a major underlying theme in entrepreneurship definitions is that the development and renewal of any society, economy or organisation requires micro-level actors who have the initiative and persistence to make change happen (Davidsson, 2004). Institutions as well as market and organisational structures may facilitate or hinder change and development. However, those structures do not create any change – and they certainly do not change themselves – in the absence of human actors. In the end, it is the unique knowledge, perceptions and goals of individuals equipped with the drive to take action accordingly that initiate novelty. In order for those initiatives to have a lasting impact, however, they need to create value or save resources. When the entrepreneurship concept is used as a label for this social reality, quite a different set of topics (e.g. innovation (Schumpeter, 1934), corporate venturing and

organisational rejuvenation (Sharma and Chrisman, 1999), and change-agency outside of the for-profit sector), becomes an integral part. The start-up of new independent ventures, it would seem, is the only natural candidate for inclusion under both views. Consequently, this research will be focusing on NES scholars, and specifically on the new independent ventures. The benefit of this is that the research will be able to show support for general theory applicable to both classes of definitions, thus there is no need to differentiate between the varying definitions.

2.1.2 Entrepreneurial Characteristics

In order to understand some of the differences in the previously mentioned definitions, it is essential to understand the characteristics of entrepreneurs, who play key roles in entrepreneurship. Entrepreneurship is based on personality of the entrepreneur (Baum, Frese, Baron and Katz, 2007); the recognition of the centrality of the person *entrepreneur* to *entrepreneurship* resulted in various past research studies focusing on the personal characteristics of the entrepreneur (e.g. Brockhaus, 1982; Gartner, 1988; Shaver and Scott, 1991; Smart and Conant, 1994; Hatten, 1997; Baron, 1998; Stewart, Watson, Carland and Carland, 1998; Littunen, 2000; Pitt and Kannemeyer, 2000; Singh and De Noble, 2003).

Brockhaus (1982) presented an overview of the psychology of the entrepreneur (including some classical researchers in entrepreneurs' personality, e.g. McClelland, 1961; Rotter, 1966) discussing the following psychological characteristics: need for achievement, locus-of-control, risk-taking propensity, and personal values (e.g. need for independence and effective leadership). In his research, Gartner (1988) noted several personal antecedents of entrepreneurial start-ups and their performance (e.g. need for achievement, locus of control, risk-taking propensity, autonomy, commitment, perseverance, vision, creativity, single-mindedness, popularity, physical attractiveness, sociability, intelligence, decisiveness, and diplomacy) but also expressed doubts about the usefulness of entrepreneurship personality research. However, according to Smart and Conant (1994), it should be recognised that entrepreneurship, essentially, may contain both individual personality traits as well as behaviour-related skills and certain venture-building skills. These may include marketing competence, organisational performances and varying levels of entrepreneurial orientations.

In a study conducted by Smart and Conant (1994), a positive relationship was found between entrepreneurial orientation and organisational performance and also that successful entrepreneurs possess a wide variety of managerial attributes and skills. At the same time, entrepreneurs possess a higher propensity for risk, the ability to identify customer needs and the tendency to engage in strategic planning activities, all of which indicate that they were very analytic in their approach to decision making and resource allocation (Smart and Conant, 1994). However, as was previously mentioned, Carson *et al.* (1995) argues that the key constituents of the process of entrepreneurship are the entrepreneur, the opportunity and the acquisition and management of resources, whereby the entrepreneur plays the central role in managing a good fit between the opportunities and the resources needed to exploit it. Weerawardeena (2003) suggested that entrepreneurship is the key factor in determining the capability building activity of the firm. It is also mentioned that entrepreneurship is conceptualised as a behaviour in which the firm displays innovativeness, pro-activeness and risk-taking propensity in its strategic decision making.

Starting a new firm is very much an individual decision. Therefore, the individual's characteristics (qualities) as an entrepreneur are central to the investigation of entrepreneurship (Littunen, 2000). According to Littunen (2000), the typical characteristics associated with a successful entrepreneur includes the ability to take risks, innovativeness, knowledge of how the market functions, manufacturing know-how, marketing skills, business management skills and the ability to cooperate. Littunen (2000) added that the entrepreneurs' initial activities during start-up as well as their subsequent actions are part of the entrepreneurial learning process, which can also extend to shape the personal characteristics of the entrepreneurs. This contention was supported by Pitt and Kannemeyer (2000) who emphasised the importance of understanding the interaction between two areas; the influence of the owners' characteristics on the actions of the firm. The contributing factors here should not be limited to the personality of the entrepreneur, but should also include their behaviour, and the resulting impact of this behaviour (Pitt and Kannemeyer, 2000).

Although numerous researchers(e.g. Brockhaus, 1982; Gartner, 1988; Shaver and Scott, 1991; Smart and Conant, 1994; Hatten, 1997; Baron, 1998; Stewart *et al.*, 1998; Littunen,

2000; Pitt and Kannemeyer, 2000; Singh and De Noble, 2003) have focused on identifying the personality traits of entrepreneurs, it could be said that there is not one all-encompassing personality profile for an entrepreneur and that different types of entrepreneurs can be identified. Pitt and Kannemeyer (2000) suggested that three characteristics were consistently found in varying degrees in successful entrepreneurs: being fairly tolerant of ambiguity, having an internal locus of control and a willingness to take risks that are relatively calculated. They also pointed out that the characteristics of the successful entrepreneurial venture tend to be even more variable as a result of a wide array of influences, including the entrepreneur himself or herself, the ownership structure, the nature of the market, the technologies being utilised, current economic conditions, and many others.

In summary, it can be said that in order to understand entrepreneurship, it is necessary to understand entrepreneurial characteristics because entrepreneurship may contain various individual personality traits and behaviour related skills (Smart and Conant, 1994) and the entrepreneur is central to the investigation of entrepreneurship (Littunen, 2000). More recently, a number of reviews and evaluations suggest that personality traits may be important for entrepreneurship (Baum *et al.*, 2007; Rauch and Frese 2007; Chell, 2008). By understanding the entrepreneurial characteristics, it will allow for the understanding of entrepreneurs, and thus of entrepreneurship, consequentially. However, it should also be noted that the role of personality traits in entrepreneurship is a controversial topic. Over the years, researchers have also argued that the opposite (i.e. personality traits may not be important for entrepreneurship) is true (e.g. Gartner, 1985; Low and MacMillan, 1988) and suggested that the search for personality traits in entrepreneurship should be discontinued (Aldrich, 1999).

2.2 The Entrepreneurial Process – New Venture Creation

In an extensive review conducted by Low and MacMillan (1988), the overall developments of entrepreneurship research were discussed as well as suggested areas for future research directions. Low and MacMillan (1988) emphasised that research in entrepreneurship should consider the contextual issues and identify the processes that explain, rather than merely describe, the entrepreneurship phenomenon. This is in line with Low and MacMillan's proposition that entrepreneurship research should seek to

explain (i.e. identification of causal links) and facilitate (i.e. offer practical relevance as well as offer consideration of both micro and macro perspectives) the role of new enterprise in furthering economic progress.

A number of authors (i.e. Smart and Conant, 1994; Gartner, 1994; Carson *et al.*, 1995) proposed the view of entrepreneurship as a process. The entrepreneurial process is one of the core concepts of entrepreneurial research. Firms vary vastly in their characteristics, as do the entrepreneurs who create them (Gartner, 1985). In other words, every entrepreneurial venture is different. However, it is essential that studies of entrepreneurship generate generalisable conclusions about variables relevant to all new firms (Bhave, 1994). On the other hand, Bhave (1994) also stated that each business is conceived in extremely individualistic and personal ways, with myriad circumstances facing entrepreneurs during start-up. Furthermore, several disciplines study entrepreneurship from their respective viewpoints; organising this work in order to draw generalisable conclusions is a thorny, unresolved, and central problem of entrepreneurship theory (Wortman, 1987; Low and MacMillan, 1988; Bygrave, 1989; Bhave, 1994). Nonetheless, it is useful to consider the process of entrepreneurship in a generalised way since this gives us a framework for understanding how entrepreneurship creates new wealth in several terms and for making sense of the details in particular ventures (Wickham, 2006). It also provides us with a guide for decision making when planning new ventures. The entrepreneurship literature (i.e. Gartner, 1985; Bhave, 1994) suggests that there are great variations among entrepreneurs and also among their ventures. These variations are comparable to the differences between entrepreneurs and non-entrepreneurs and between new firms and established firms. Once diversity becomes recognised, the necessity for finding a way to classify entrepreneurs becomes apparent (Gartner, 1985), it is believed that there should exist groups of entrepreneurs and their ventures with similar characteristics.

Gartner (1985) created a model that seeks to provide a framework for describing new venture creation that integrates four major perspectives in entrepreneurship: the characteristics of the individual(s) who start the venture, the organisation which they create, the environment surrounding the new venture, and the process by which the new venture is started. This model, illustrated in figure 2.1, is one that is popular among researchers within this field of study. Numerous sequences in venture creation are

identified within the vast entrepreneurship literature (Gartner, 1985; Timmons, 1990; Bhawe, 1994; Wickham, 2006). For example, Gartner (1985), has stated that the entrepreneur locates a business opportunity, accumulates resources, markets products and services, produces the product, builds an organization, and responds to government and society. This broad description of the venture creation process allows it to be applicable to all new ventures. Gartner's framework presented a way for describing the creation of a new venture across four dimensions (figure 2.1):

- Individual(s) – the person(s) involved in starting a new organisation
- Organisation – the kind of firm that is started
- Environment – the situation surrounding and influencing the new organisation
- New Venture Process – the actions undertaken by the individual(s) to start the venture.

No new venture creation can be comprehensively described nor can its complexity be adequately accounted for unless all four dimensions are integrated (Gartner, 1985). Gartner's framework was the first to combine the four dimensions of venture creation, though other researchers have sought to combine two or more of the dimensions. For example, theorists and researchers who have developed entrepreneurial classification schemes that are based on two dimensions: individual characteristics plus new venture process considerations (i.e. Two Dimensional studies (Vesper, 1979, 1980)) and Three Dimensional study (Van de Ven, Hudson and Schroeder, 1984).

Listing of each variable of new venture creation under the appropriate dimension of the framework (Gartner figure 2.1), the framework illustrates the potential for a high degree of complexity in the interactions among these variables within the multi-dimensional phenomenon of venture creation. The four dimensional conceptual framework can be seen as a kaleidoscope, as an instrument through which to view the entrepreneurs and their ventures. Gartner pointed out that past attempts to differentiate the typical entrepreneur and his/her typical creation from all non-entrepreneurial and all non-new ventures have, whether intentionally or not, advanced the notion that all entrepreneurs are alike and all new venture creation is the same. However, there clearly is a wide variation in the kinds of new ventures that are started.



Figure 2.1: Variables in new venture creation (Gartner, 1985, p. 702)

The conceptual framework presented by Gartner (1985) also serves to provide a way of analysing past studies. Each study can be broken down into the types of individuals, organisations, environments, and processes that were investigated. It primarily indicates the importance of interactions among dimensions in understanding new venture creation. This framework for describing new venture creation provides the possibility of

describing subsets within the unwieldy set of all entrepreneurs and new ventures. Newly created ventures that display meaningful similarities across the four dimensions can thus be described and classified together. Significant generalisations regarding some, or all, new venture creations might emerge, generalisations that do not, however, attempt to mask the variation in new venture creation. Gartner's model essentially provided a means of making a fundamental shift in the perspective on entrepreneurship: away from viewing entrepreneurs and their ventures as an unvarying, homogeneous population, and towards a recognition and appreciation of the complexity and variation that abounds in the phenomenon of new venture creation.

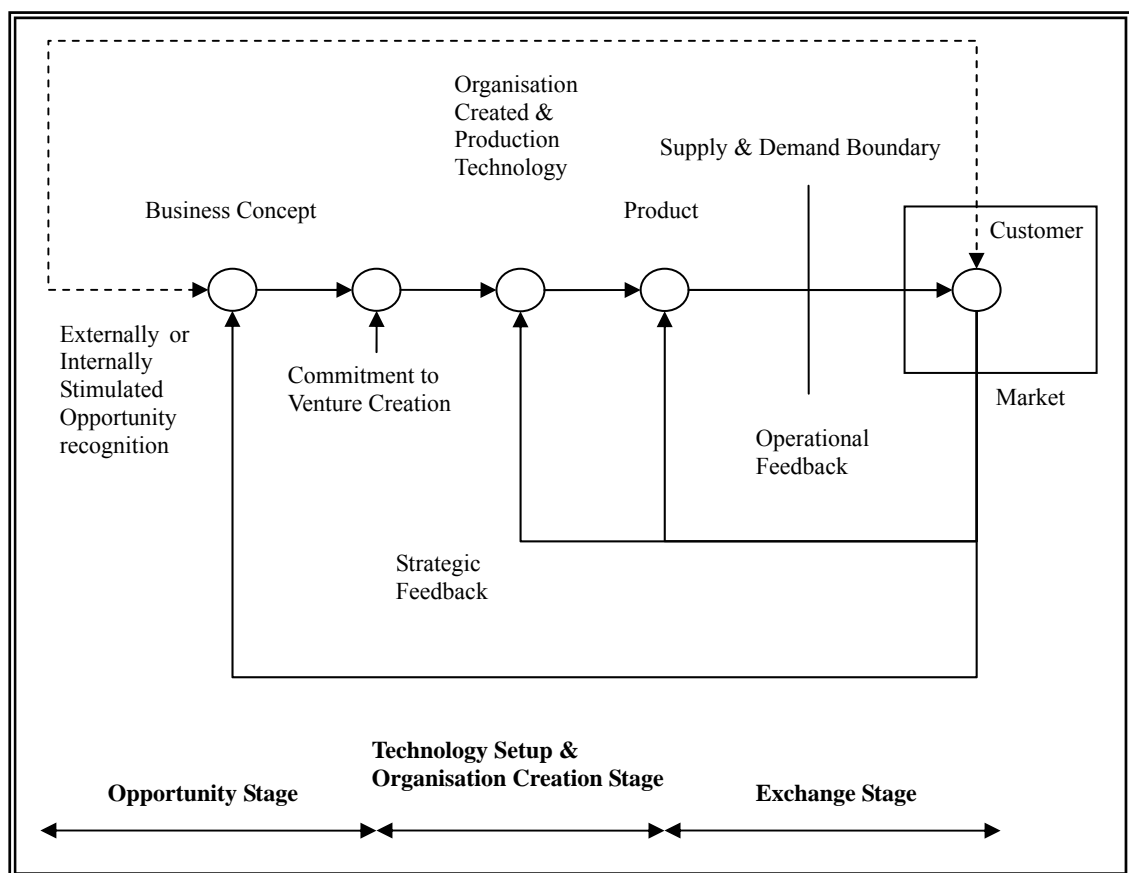


Figure 2.2: Process Model of entrepreneurial venture creation (Bhave, 1994, p. 235)

Bhave (1994) developed a process model (figure 2.2), which provided an integrative framework to bring cohesion to this vast body of existing literature. Bhave's model has successfully integrated disparate bodies of research and contributed to the advancement of entrepreneurship theory (Bacharach, 1989; Whetten, 1989) and is one of the most frequently cited frameworks. Entrepreneurship is a multidimensional phenomenon, and there is little agreement on common dimensions characterising it (Bhave, 1994; Gartner,

Mitchell and Vesper, 1989). Bhavé's model includes internally and externally stimulated opportunity recognition, commitment to physical creation, set-up of production technology, organisation creation, product creation, linking with markets, and customer feedback. The process was divided into the opportunity stage, the technology set-up and organisation creation stage, and the exchange stage. He used business concept, production technology, and product as the core variables representing the three stages illustrated in the model. These variables are sequentially encountered in the creation of all firms, deal only with the supply side of venture creation, and constitute a parsimonious set of variables (Bhavé, 1994).

The process model developed by Bhavé provided a significant step in the development of entrepreneurship research. His study started by identifying various concepts, based on empirical data, and presented them in categories and stages. He went on to link the conceptual categories and stages to develop a comprehensive, integrative process model of new venture creation. Even though the model was created as a general framework, it has the ability to distinguish among entrepreneurial ventures based on novelty introduced in the venture creation process at each of the core variables. The model indicates that novelty can be introduced at any of the three core variables, and therefore, the adjective *innovative* needs to be cautiously applied to entrepreneurs and their ventures. Schumpeter's notion of innovation as the defining characteristic of entrepreneurship has thus been extended in this paper. It was also proposed that the entrepreneurial content of a venture is a function of novelty introduced during the venture creation process (Schumpeter, 1934, 1942; Abetti and Stuart, 1989). The model (figure 2.2) also implies the existence of a conceptual process of new venture creation in addition to the more obvious physical creation process. This conceptual process is iterative and continues even after a venture is in existence, and is not linear or chronological.

Although Bhavé's model recognises critical entrepreneurial inputs at various stages in the venture creation process, and acknowledges the role of the entrepreneur as the prime mover of the process, it also proposes that the entrepreneurial process can be viewed as an action that can be carried out by an organisation. Similarly, Schumpeter (1942) did not rule out the absorption of the entrepreneurial function into mainstream business. In fact, internal corporate venturing may be viewed as bureaucratised entrepreneurship. The model also served to confirm the existence of strategic and operational feedback, which

has been advocated to be present in venture creation (Maidique and Zirger, 1985). The model also pointed out that the *first sale* is a significant conceptual event in new venture creation, which was in support of the previous research (e.g. Block and MacMillan, 1985). In making the first sale, the entrepreneur makes a concrete link between the business concept and the market that was recognised in the opportunity stage, while at the same time vindicating the business concept. It also allows the entrepreneur to establish an exchange relationship with the customer for the first time, allowing customer feedback to become an input to the venture's future direction. Consequently, the first sale bridges the boundary between the supply and demand sides and is essentially the last step in the physical creation of a venture, even though venture creation has an iterative, conceptual component (Bhave, 1994).

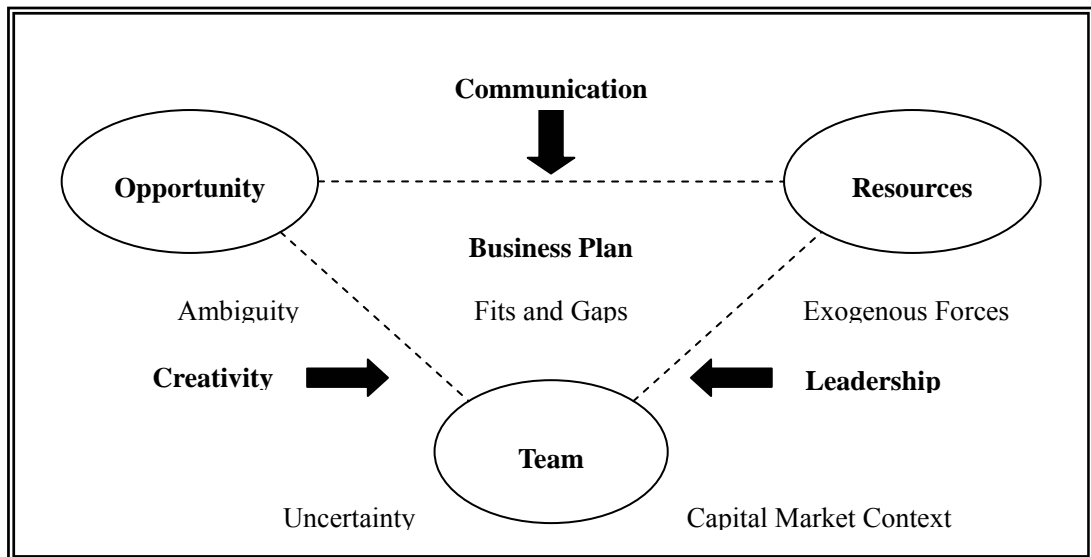


Figure 2.3: Three Driving Forces (Timmons and Spinelli, 2003, p.38)

Timmons (1990) created a frequently cited framework from his research in new venture creation. There are basically three crucial components for a new business: the opportunity, the entrepreneur (and the management team, if it is a potential venture) and the resources needed to start the company and make it grow. These components are illustrated in figure 2.3, which presents the updated version of the original Timmons model of the entrepreneurial process, including a notion of balance as well as enhancements to describe and explain the model as compared to the original model. Despite the great variety of businesses, entrepreneurs, geography, and technology, time and again central themes dominate this highly dynamic entrepreneurial process. The driving forces, which are also known as the controllable components of the entrepreneurial process, are those that can be assessed, influenced, molded and altered, thereby changing the risk-to-reward

equation in positive ways (Timmons and Spinelli, 2003, p. 37):

- It is *Opportunity* driven.
- It is driven by a *Lead Entrepreneur* and an *Entrepreneurial Team*.
- It is *Resource Parsimonious* and *Creative*.
- It depends on the *Fit* and *Balance* among these.
- It is *Integrated* and *Holistic*.

In this model the emphasis is on *opportunity*, which Timmons and Spinelli (2003) posit is at the heart of this entrepreneurial process. “*The process starts with opportunity, not money, not strategy, not networks, not the team, not the business plan* (Timmons and Spinelli, 2003, p. 37)”. Most opportunities are much bigger than either the talent or capacity of the team or the resources available to the team at the outset, and the role of the entrepreneurial team is to juggle all of these elements in a dynamic moving environment. The *business plan* describes the language and code for *communicating* the quality of the driving forces and their fit and balance. The lead entrepreneur must carry the deal by taking charge of the success equation. The *ambiguity* and *risk* are not bad things in this dynamic context. At the same time, there is a need for *creative problem-solving* and *strategising*, and due diligence that lies ahead in analysing what are the *fits and gaps* that exist in the venture. The entrepreneurial process is *Opportunity* driven; figure 2.4 shows the key characteristics of good opportunities described by Timmons and Spinelli (2003):

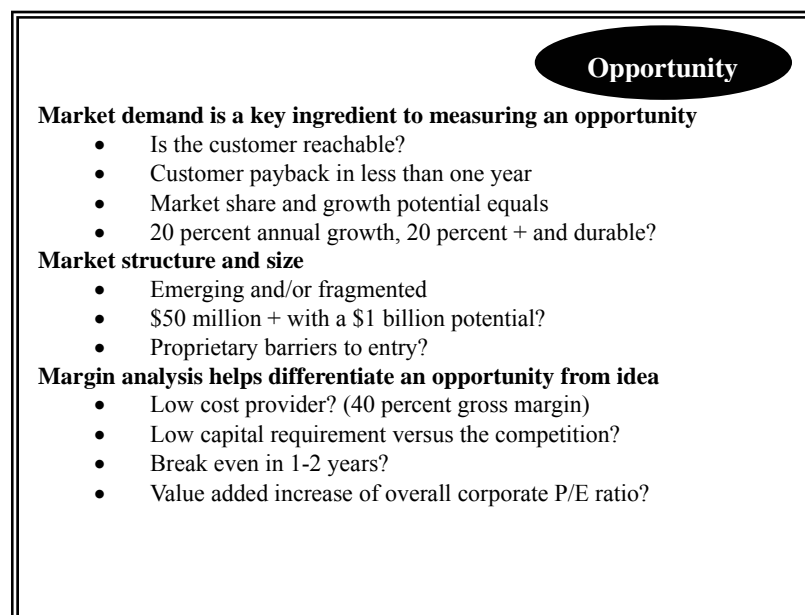


Figure 2.4: *The Entrepreneurial Process is Opportunity Driven* (Timmons and Spinelli, 2003, p.39)

Timmons and Spinelli (2003) stated that one of the most common misconceptions among untried entrepreneurs is that you first have to have all the resources in place, especially the money, in order to succeed with a venture. They went on to say that the entrepreneur should understand and marshal resources and not be driven by them. Successful entrepreneurs devise ingeniously creative and stingy strategies in marshalling and gaining control of resources (figure 2.5). This line of argument is similar to the *theory of effectuation* presented by Sarasvathy (2001), which has been influenced by a large list of thinkers/scholars (e.g. Pierce, 1878; James, 1912; Knight, 1921; Lindblom, 1959; Simon, 1959; Vickers, 1965; Allison, 1969; Weick, 1979; Nystrom and Starbuck, 1981; Buchanan and Vanberg, 1991; March, 1982; Burt, 1992; Mintzberg, 1994). Sarasvathy (2001) argued that the essential agent of entrepreneurship is an effectuator: an imaginative actor who seizes contingent opportunities and exploits any and all means at hand to fulfil a plurality of current and future aspirations, many of which are shaped and created through the very process of economic decision making and are not given a priori. Effectuation essentially inverts the fundamental principles, solution process, and overall logic of predictive rationality (Read, Dew, Sarasvathy, Song and Wiltbank, 2009), which provides an alternative to predictive rationality. They further explained that predictive rationality rests on a logic of foresight: that is, to the extent that people can predict the future, they can control it. However, effectuation rests on a logic of non-predictive control: that is, to the extent that people can control the future, they do not need to predict it (Read *et al.*, 2009).

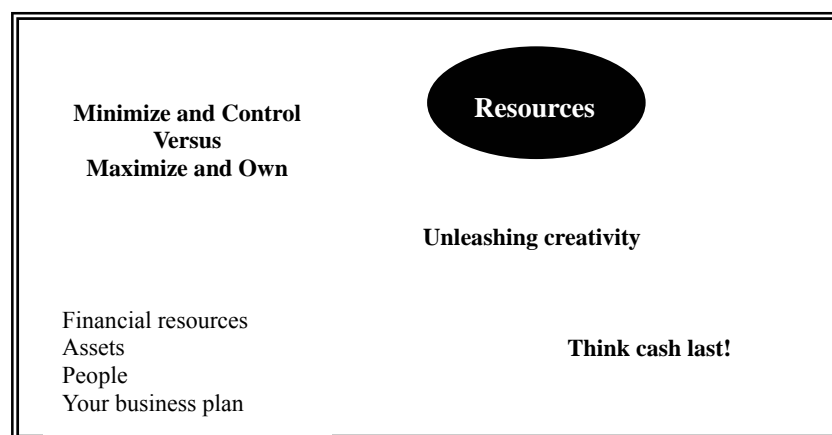


Figure 2.5: Understand and Marshall Resources, Don't Be Driven by Them (Timmons and Spinelli, 2003, p.39)

There is little dispute today that the *entrepreneurial team* is a key ingredient in the higher potential venture (Timmons and Spinelli, 2003). Figure 2.6 lists the important aspects of a team, which is invariably formed and led by a capable entrepreneurial leader whose track record exhibits both accomplishments and many of the qualities that the team must possess. The last key point in the Timmons model (figure 2.3) is the importance of *Fit and Balance* within the three driving forces. Timmons and Spinelli (2003) describes the *team*, positioned at the bottom of the triangle, as representing the entrepreneurial leader of the venture standing on a large ball, grasping the triangle over his/her head. The challenge is then to balance the balls, of opportunity and resources without either toppling off. This description depicts the constant balancing act from the outset that the entrepreneurial leader has to do, since rarely, if ever, are the three ingredients matched.

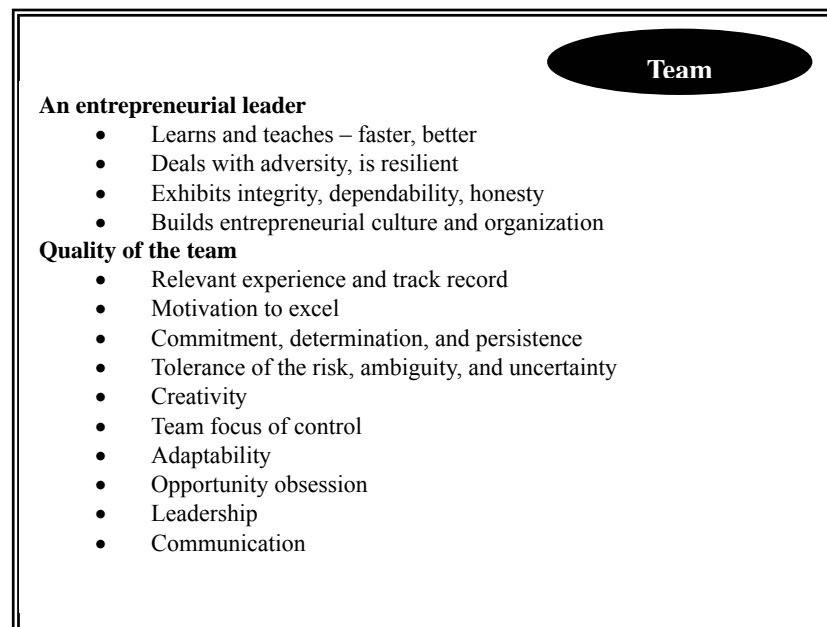


Figure 2.6: *An Entrepreneurial Team is the Key Ingredient for Success (Timmons and Spinelli, 2003, p.39)*

Wickham (2006) created a framework (figure 2.7) that serves to illustrate the various aspects of the entrepreneurial process. It is based on four interacting *contingencies*, with the entrepreneur responsible for bringing them together to create new value. A contingency is simply something that must be present in the process, but can make its appearance in endless ways (Wickham, 2006). Wickham's framework as shown is similar in ways to the Gartner framework (figure 2.1) previously mentioned as well another frequently referenced framework from Timmons (1990). Wickham (2006) conceptualised

the four contingencies in the entrepreneurial process as the *entrepreneur*, a market *opportunity*, a business *organisation* and *resources* to be invested, illustrated in the figure 2.7.

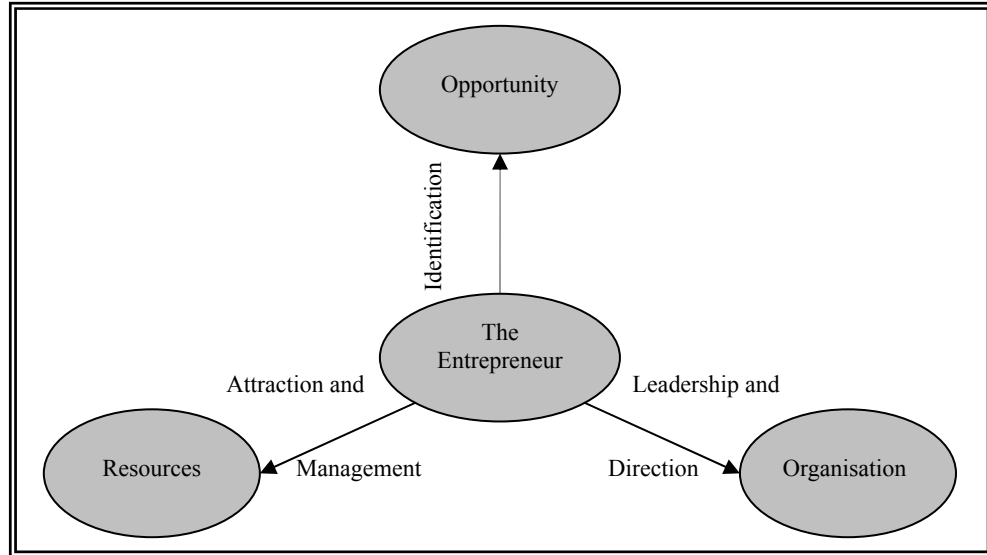


Figure 2.7: The Entrepreneurial Process: Opportunity, Resources and Organisation (Wickham, 2006)

In Wickham's framework, the *entrepreneur* is referred to as the individual who lies at the heart of the entrepreneurial process – that is, the manager drives the whole process forward. Entrepreneurs often act singly, but in many instances entrepreneurial teams are important; different members of the team may take on different roles and share responsibilities. *Opportunity* in Wickham's framework is described as the gap left in a market by those who currently serve it; this represents the potential to serve customers, better than they are being served at present. The improved way of doing it is the innovation that the entrepreneur presents to the market. In order to supply innovation to the market, the activities of different people must be coordinated; this is the function of the *organisation* that the entrepreneur creates that is referred to in Wickham's framework. Entrepreneurial organisations can be in a variety of forms (i.e. different sizes, growth, industry, product, services, etc.) and are characterised by strong, often charismatic, leadership from the entrepreneur and less formal structures and systems. It has been found more productive to think in terms of the organisation in a wider sense as being a *network* of relationships between individuals, with the entrepreneur sitting at the centre. This network stretches beyond just the individuals who make up the formal company to include people and organisations outside the venture such as customers, suppliers and

investors. The final contingency in Wickham's framework is *resources*, which includes the money that is invested in the venture, those who contribute their efforts, knowledge and skills to it, *physical assets* (i.e. productive equipment and machinery, buildings and vehicles) and *intangible assets* (i.e. brand names, company reputation and customer goodwill). In other words, using this process view, the entrepreneur plays a critical role in identifying opportunity, building and leading the organisation, and attracting and managing resources.

There are numerous sequences in venture creation models that have been created, as was mentioned earlier in this section, and four of these models have been discussed in details. In Gartner's model, *opportunity* is not emphasised as a key point, which contrasts with a number of definitions on entrepreneurship (i.e. Timmons, 1990; Smart and Conant, 1994; Shane and Venkataraman, 2000; Morris *et al.*, 2002; Timmons and Spinelli, 2003; Wickham, 2006) that have been presented in the first section. In Bhavé's model, although *opportunity* is included as a key variable in the framework, it also included a considerable number of other variables in order to integrate disparate bodies of research within entrepreneurship. In the Timmons model, *opportunity* is put forward as the heart of the entrepreneur process, which goes to show the high degree of importance of this driving force. The emphasis on *opportunity* as the starting point is made with regard to other components of the entrepreneurial process, such as money, strategy, networks, team or the business plan.

Similarly, in Wickham's model (figure 2.7), the author agrees with the emphasis placed on the concept of *opportunity*, as one of the main contingencies, as well as the way in which the framework is presented, whereby the *Entrepreneur* works to manage a good fit among the three contingencies: *Opportunity*, *Organisation* and *Resources*. Wickham's model also allows for a simplified view of the entrepreneurial process, as compared to the other two models (i.e. Gartner, 1985, Fig. 2.1; Bhavé, 1994, Fig. 2.2). A simplified view, in turn, allows for a generalised framework that can be applicable to most new venture creations. It is beneficial to view the entrepreneurial process in a generalised way as it allows for the creation of a framework that can be used to understand how entrepreneurship works. At the same time, a generalised framework will also be useful for entrepreneurs-to-be when planning for new venture creation. Therefore, in this study, the author chose to adopt Wickham's framework as the key model.

2.3 The Challenge of Opportunity

As has been emphasised in previous sections, opportunity is a key concept in entrepreneurship literature. Entrepreneurship occurs when an individual acts to take advantage of a profit opportunity that arises in the economy (Holdcombe, 2003). In its simplest form, the entrepreneur might notice that one person is willing to sell something for less than someone else is willing to pay for it, so the entrepreneur can act as a middle man, profiting from buying at the lower price and selling for more. The profit, which is the return to the entrepreneur's alertness to the opportunity, was created entirely by the entrepreneur's activity because the sale would not have taken place without someone having noticed the profit opportunity. The entrepreneur's activity benefits the buyer, the seller, and more generally, the entire economy. Furthermore, the entrepreneur's profit signals potential suppliers and demanders about their market opportunities and even signals other potential middlemen of the profit opportunity for facilitating exchanges. Eventually, the ability to earn above-normal profits will be competed away, but only after those profits have served their role in signalling a way in which resources could be more efficiently allocated in the economy. Entrepreneurship is indispensable for economic progress, but entrepreneurial activity is possible only when profit opportunities are available to the entrepreneur (Holdcombe, 2003).

Entrepreneurs are motivated by the pursuit of opportunity. Identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur (Stevenson, Roberts and Grousbeck, 1985). In turn, a key part of entrepreneurship research is to explain the discovery and development of opportunities (Venkataraman, 1997). There have been numerous models of opportunity recognition and/or development that have been presented over the years (Bhave, 1994; Schwartz and Teach, 1999; Singh, Hills and Lumpkin, 1999; De Koning, 1999; Sigrist, 1999; Sanz-Velasco, 2006) based on different, often conflicting, assumptions borrowed from disciplines ranging from cognitive psychology to Austrian economics. Wickham (2006) created an analogy through which a business opportunity can be pictured as a gap in the landscape created by existing business activities: there are different types of innovation that can fill the gap, and thus offer a means of exploiting the opportunity. It is also recognised that exploiting opportunities creates new wealth, which can be distributed to

the venture's stakeholders. In other words, a business opportunity is a gap in the market that presents the possibility of new value being created. Opportunities are pursued with innovations – a better way of doing something for a customer - and entrepreneurs are attuned to new opportunities and are motivated to pursue them. At the same time, entrepreneurs decide not only how to create new wealth but also how to distribute it to the venture's stakeholders. Decisions may be defined in terms of knowledge available before they are made and entrepreneurs turn uncertainty into risk on behalf of the investors rather than take on risk themselves.

The concept of opportunity as a key to understanding entrepreneurship and economic change has been noted by numerous researchers (i.e. Fiet, 1996; Shane and Venkataraman, 2000; Gartner *et al.*, 2003; Sanz-Velasco, 2006). In a study by Sanz-Velasco (2006) on opportunity development, the author emphasises the difference between the terms and/or concepts of *opportunity discovery* and *opportunity development*. The concept of opportunity discovery is more suitable in situations of low risk when initial opportunity perceptions are comprehensive, allowing entrepreneurs to focus on their products and services, rather than on potential customers and/or appropriation in the market (Sanz-Velasco, 2006). At the point of opportunity discovery, the discoverer becomes aware of a profitable opportunity (Shane and Eckhardt, 2003), which implies that there needs to be a certain level of information present to justify speaking of an opportunity discovery.

The concept of opportunity discovery originated in the Austrian School of economics; Kirzner (1997) popularised the notion of entrepreneurship as discovery or alertness to profit opportunities. According to Austrian economists' theories (e.g. Hayek, 1945; Kirzner, 1997), it is assumed that people cannot recognise all entrepreneurial opportunities. Information about opportunities, rather than fundamental attributes of people, determines who becomes an entrepreneur and this process depends on factors other than people's ability and willingness to take action. The development of this concept has since departed from Knight (1921) and Hayek (1945) who had explored the dispersion of knowledge and the uncertainty that accompanies such dispersion. Researchers using a psychological viewpoint to explore the concept of opportunity discovery tend to argue that discovery depends on relative differences between people, in

their willingness and/or ability to search for and identify opportunities (Shane and Venkataraman, 2000). Conversely, researchers (e.g. Khilstrom and Laffont, 1979) using the neoclassical equilibrium theories assume that everyone can recognise all entrepreneurial opportunities and that fundamental attributes of people, rather than information about opportunities, determine who becomes an entrepreneur. However, it is argued that if all potential entrepreneurs recognised the same opportunities, they would compete for the profit. This in turns lower each entrepreneur's share of the profit, possibly to the point which it would not provide any of the potential entrepreneurs with incentive to act (Fiet, 1996).

On the other hand, the concept of opportunity development incorporates market interaction and real-life processes influenced by prior knowledge, resources, and the industrial context and is especially appropriate in situations characterised by uncertainty (Sanz-Velasco, 2006). Such prior knowledge exists in three key areas: markets, ways to serve markets and customer problems (Shane, 2000). In essence, the term *opportunity development* incorporates the identification, the development and the evaluation of an opportunity (Bhave, 1994; De Koning, 1999; Ardichvili, Cardozo and Sourav, 2003) and also includes references to the juxtaposition and convergence of market needs and resources (Sanz-Velasco, 2006). In contrast to opportunity discovery, opportunity development posits that opportunities are created in a process that is iterative and interactive; this implies that initial perceptions of an opportunity are rudimentary and in need of development. Moreover, this model posits that entrepreneurs act before they have a comprehensive perception of an opportunity in that they immediately turn their attention to enactment and effectuation. Prior knowledge has also been identified as an important component of creativity (Shepherd and DeTienne, 2005), which might explain why some individuals, and not others, discover (or create and develop) opportunities. This is in line with the Austrian economics view that different people will discover different opportunities in a given technological change because they possess different prior knowledge (Venkataraman, 1997) and that the discovery of entrepreneurial opportunities depends, in part, on the distribution of information in society (Kirzner, 1973).

Researchers (e.g. Venkataraman, 1997; Shane, 2000; Sanz-Velasco, 2006) have argued that both prior knowledge and opportunism influenced who discovered an opportunity

and the subsequent development of the opportunity. Most prior knowledge among the respondents consisted of knowledge of ways to serve the market rather than knowledge of customer problems, and most of the perceptions of opportunity are rather rudimentary. Each individual's prior knowledge enables themselves, but not others, to recognise certain opportunities (Fiet, 1996; Venkataraman, 1997). People notice information that is related to their existing knowledge; also, new information often needs to be complemented with prior knowledge to be useful (Von Hippel, 1994). People have different stocks of information because information is generated through people's idiosyncratic life experiences (Shane, 2000), such as work experience, education, or other means. This information influences an entrepreneur's ability to comprehend, extrapolate, interpret, and apply new information in ways that those lacking that prior information cannot replicate (Roberts, 1991). Sanz-Velasco (2006) concludes that there is a need for more market interaction on the part of entrepreneurs, such as sales activities in a given customer segment, which could have facilitated a more rapid and effective development of the opportunities. More market interaction could have also improved the long-term future of the firms in the context of the flight of venture capital that characterised the industry in the early years of the present decade. Venture capitalists could avoid excessively opportunistic entrepreneurs by discriminating for evidence of prior knowledge of customer problems, due to the fact that such entrepreneurs are more likely to be motivated by potential financial rewards rather than a pragmatic assessment of market needs. Sanz-Velasco (2006) also found that resources influence opportunities and their development, because opportunities are developed through the venture process, perceptions of opportunity are always in a state of flux, which results in difficulty when describing the content of the particular opportunity at a given point in time. This presents a problem for attracting resources. Lastly, Sanz-Velasco (2006) also found that initial perceptions of opportunities are often rudimentary, and that most opportunities are developed – both before and after the venture foundation, providing evidence for the conceptualisation of *opportunity* in terms of *opportunity development*.

According to Ardichvili *et al.* (2003), entrepreneurs identify business opportunities to create and deliver value for stakeholders in prospective ventures, and although elements of opportunities may be “recognised,” opportunities are made, not found. In other words, opportunities do not pre-exist – either to be recognised or discovered – instead, they get created as the residual of a process (Sarasvathy, 2003). In line with this argument,

Austrian economists have stated that people do not search for entrepreneurial opportunities because ‘opportunity’ cannot be known until discovered, and therefore one cannot possibly search for something that one does not know exists (Kirzner, 1997). Thus people do not discover entrepreneurial opportunities through search but through the recognition of the value of new information that they happen to receive through other means (Shane, 2000). Ardichvili *et al.* (2003) stated that careful investigation of and sensitivity to market needs as well as an ability to spot suboptimal deployment of resources may help an entrepreneur begin to develop an opportunity (which may or may not result in the formation of a business). The creation of successful businesses follows a successful opportunity development process, which includes the recognition of an opportunity, its evaluation, and development per se (Ardichvili, Cardozo and Sourav, 2003). The development process was described as being cyclical and iterative: an entrepreneur is likely to conduct evaluations several times at different stages of development; evaluation could also lead to recognition of additional opportunities or adjustments to the initial vision. Major factors that influence this core process of opportunity recognition and development leading to business formation include the following: Entrepreneurial Alertness; information asymmetry and prior knowledge; social networks; personality traits, including optimism and self-efficacy, and creativity; and the type of opportunity itself (Ardichvili *et al.*, 2003).

Opportunity is at the heart of entrepreneurship process, yet only became been the subject of serious academic research in recent years (Stevenson and Jarillo, 1990; Shane, 2003); there has been increasing interest in viewing the subject as being closely related to the study of entrepreneurship. There is a need for people to become more skilled in selecting, assessing and working on opportunities (Rae, 2007). The nature and source of entrepreneurial opportunities are important issues for understanding how markets function and new businesses come into being (McMullen, Plummer and Acs, 2007). In broad terms, an opportunity may be the chance to meet a market need (or interest or want) through a creative combination of resources to deliver superior value (Schumpeter, 1934; Kirzner, 1997; Casson, 2003). However, *opportunities* also serve to describe a range of phenomena that begin unformed and become more developed through time. In its most elemental form, what may later be called an *opportunity* may appear as an *imprecisely-defined market need, or unemployed or under-employed resources or capabilities* (Kirzner, 1997). Rae (2007) defined opportunity as ‘the potential for change,

improvement or advantage arising from our action in the circumstances'. However, according to Shane (2003), opportunity is defined as a situation in which a person can create a new means-end framework for recombining resources that the entrepreneur believes will yield a profit. In a similar way, Casson (2003) defined opportunities as those situations in which new goods, services, raw materials and organising methods can be introduced and sold at a greater price than their cost of production. Both of these definitions of opportunities are directly related to profit opportunities. Although the pursuit of profit is important, it is argued that it is not the sole determinant of entrepreneurial opportunities. The opportunity may be a situation that already exists, or one which we create and which would not otherwise have occurred. It may be one we can actually recognise now, or one that will arise in the future (Rae, 2007, p. 4). He also went on to suggest a few examples for the types of opportunities that may occur:

- A 'gap in the market' for a product or service
- A mismatch between supply and demand
- A future possibility which can be recognised or created
- A problem that can be solved, for example by applying a solution to a need
- A more effective or efficient business process, system or model
- A new or existing technology or approach which has not yet been applied
- The transfer of something that works in one situation to another, such as a product, process or business concept
- A commodity or experience people would desire or find useful if they knew about

In the words of Stevenson and Jarillo (1990), the discovery, exploration and exploitation of opportunities are fundamentally important processes in entrepreneurial activity. The question is whether people discover and recognise opportunities which are held to already exist, as Kirzner (1997) suggested, or create and enact new opportunities (Gartner *et al.*, 2003). In a study conducted by Shane (2003), a general theory of entrepreneurship to fill this gap in understanding based on the nexus, or connection, between individuals who discover opportunities and the entrepreneurial process of opportunity exploitation and execution. There is both purely 'opportunistic' behaviour, which centres on the short-term exploitation of currently available opportunities, and the creation of future new opportunities which do not yet exist, through innovation, generally over a longer timescale (Rae, 2007). Lumpkin, Hill and Shrader (2004) adapted a model of creative thinking created by Wallas (1926) and proposed a model of opportunity

recognition based on creativity which is illustrated in figure 2.8.

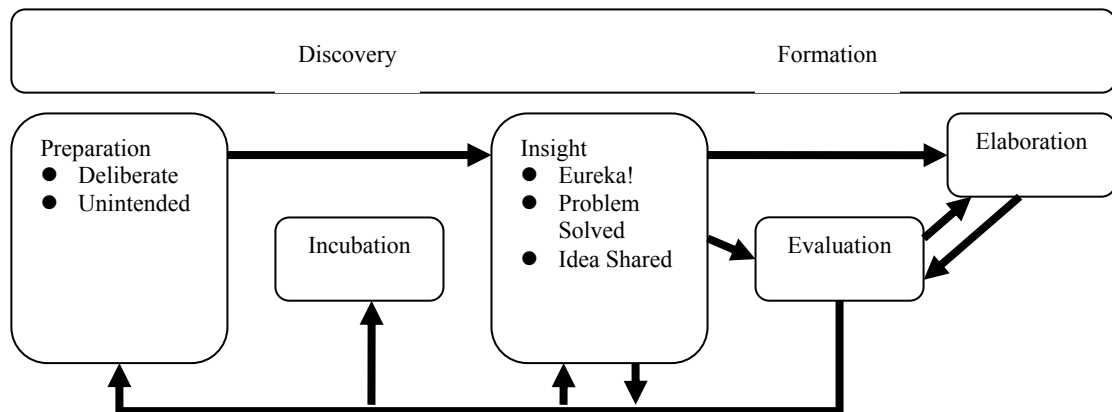


Figure 2.8: Creativity-based model of entrepreneurial opportunity recognition (Lumpkin *et al.*, 2004)

With reference to the model (figure 2.8) by Lumpkin *et al.* (2004), it moves from the discovery to the formation of opportunities through five stages of preparation (unconscious awareness), incubation of ideas, insight (the moment of discovery), evaluation and elaboration. There have been a range of other theories and conceptual models of opportunity recognition that have been proposed, and some of them are based on sequential, step-by-step activity, such as a systematic search effort (Vesper, 1980), a four-stage process of opportunity identification (Long and McMullan, 1984), and a five-step model of opportunity analysis (Kaplan, 2003). The decision to create a new venture depends on assessment of its viability and attractiveness, with viability being based on low capital requirements, high margin for error, significant pay-offs, low exit costs, and multiple exit options, with success depending on creativity and capacity to execute, and attractiveness based on the fit between the entrepreneur's motivation and capability (Bhide, 1991). Lumpkin and Lichtenstein (2005) confirmed that there are conceptual links between opportunity recognition, individual learning modes within the context of an industry, and creativity.

Gartner *et al.* (2003) summarised the debate over opportunity recognition by comparing the economic perspective, in which opportunities are held to exist objectively, with the enaction theory, in which individuals make sense of their world through scanning, interpretation and action. They termed this the enactment perspective: 'opportunities would be the result of what individuals do, rather than of what they see'. In line with Rae

(2007), the author concludes that short term opportunities do exist and await discovery by the alert entrepreneurs. However, circumstances that can give rise to new opportunities may be recognised by people with the imagination, experience and judgement to do so, and they can create and enact the opportunities which they assess as worthwhile. There is evidence that both prior knowledge and opportunism influenced who discovered an opportunity and the subsequent development of the opportunity (Sanz-Velasco, 2006). Most prior knowledge among the respondents consisted of knowledge of ways to serve the market rather than knowledge of customer problems, and most of the perceptions of opportunity are rather rudimentary. Resources influence opportunities and their development, because opportunities are developed through the venture process, perceptions of opportunity are always in a state of flux, which results in difficulty when describing the content of the particular opportunity at a given point in time. This presents a problem for attracting resources (Sanz-Velasco, 2006). The vital skills according to Rae (2007) lie in recognising the future opportunities with the greatest long-term potential which the entrepreneur can gather the resources to exploit. The entrepreneur then plays the central role of managing a good fit between resources and opportunity in order to achieve their desired results (Jones and Holt, 2008).

2.4 From Entrepreneurial Orientation to Market Orientation

Entrepreneurship researchers (e.g. Zahra and Covin, 1995; Lumpkin and Dess, 1996; Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001) have attempted to explain performance by investigating a firm's entrepreneurial orientation. Entrepreneurial orientation essentially involves processes, practices, and decision-making styles that help firms identify and capture entrepreneurial opportunities (Memili, Lumpkin and Dess, 2011) or, in other words, refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices (Lumpkin and Dess, 1996). Entrepreneurial orientation can be summarised as a multidimensional phenomenon that includes autonomy, innovativeness, risk taking, pro-activeness and competitive aggressiveness (Miller, 1983; Covin and Slevin, 1989; Lumpkin and Dess, 1996; Knight, 1997; Wiklund, 1999). Each of these dimensions is expected to vary independently based on a range of possible environmental and organisational factors (Kreiser, Louis and Weaver, 2002). To date, there have been various empirical studies (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000;

Atuahene-Gima and Ko, 2001) that have been conducted to investigate the relationships between entrepreneurial orientation, marketing orientation and corporate success.

Numerous studies (e.g. Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010) have shown that market orientation has a positive impact on firm performance or success. Market orientation in the conduct of business is a focus on satisfying the needs and wants of customers; this approach is based on the premise that greater customer satisfaction enhances the profits of the firm (Carter, 2006) and has been seen as a prerequisite to good performance and business growth (Tzokas, Carter and Kyriazopoulos, 2001). Prior to these findings, Slater and Narver (1998) described market orientation as an organisation's purpose to find needs and wants in its target markets and then to satisfy them more effectively and efficiently than its competitors. Market orientation can be said to consist of three behavioural elements: customer orientation, competitor orientation and inter-functional co-ordination (Slater and Narver, 1998), among which behaviours firms (i.e. both small and/or big firms) tend to focus on the customer orientation element (Narver and Slater, 1990; Slater and Narver, 1998; Reijonen and Komppula, 2010; Phua and Jones, 2010).

The results of those studies (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001) that attempted to investigate the relationships between entrepreneurial orientation (EO), marketing orientation (MO) and corporate success not only showed that there are positive correlations to performance, but that there is also an alignment between entrepreneurial orientation and marketing orientation. In other words, there is a relationship between entrepreneurial orientation and marketing orientation that should be explored in further detail, which could, in turn, enhance firm/corporate performance. Both entrepreneurial orientation and marketing orientation can be said to be related to customer orientation, considering the fact that owner-managers of small enterprises tend to spend a great part of their work in direct contact with customers in comparison to that of bigger enterprises, either during the selling or feedback process (Phua and Jones, 2010). For example, on top of the customer contact during the selling process, entrepreneurs have been found to continuously refine their response to customer needs in order to manage market competition (Phua and Jones, 2010), and marketing can be simply described as the activity or a set of processes for creating, communicating, delivering and exchanging offerings that have value for customers. This description of

marketing is in line with the definition provided by the American Marketing Association (AMA) in which marketing is defined as an ‘organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders’ (Keefe, 2004, p. 17).

There is a stream of research that describes the small firm marketing orientation as being Entrepreneurial Marketing (EM), suggesting that the style of marketing behaviour is driven and shaped by the owners’ personalities (Hill and Wright, 2000, p. 25). In other words, this essentially means that the management orientation and especially the entrepreneurs’ attitude towards marketing are critical. It is undeniable that opportunity recognition holds a prominent position in entrepreneurship theory and research. The importance of it has been continually demonstrated by the fact that most basic definitions of entrepreneurship allude to opportunity recognition as central to the phenomenon (Hills, Hultman, Kraus and Schulte, 2010).

Entrepreneurial marketing processes are marketing processes that emphasise ‘opportunity creation and/or discovery, evaluation and exploitation’ (Miles and Darroch, 2006, p. 488). Entrepreneurial marketing has also been described as being fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting (Morris *et al.*, 2002). As a result of recognising that, to date, there is still no generally accepted definition of EM, Hills *et al.* (2010, p. 6) proposed that entrepreneurial marketing should be defined ‘as a spirit, an orientation as well as a process of pursuing opportunities and launching and growing ventures that create perceived customer value through relationships, especially by employing innovativeness, creativity, selling, market immersion, networking or flexibility’. However, entrepreneurs may tend to underestimate the importance of marketing (Kraus, Harms and Fink, 2010); although, some entrepreneurs have been found to have an intuitive grasp of the key elements associated with a marketing strategy (Phua and Jones, 2010) or have been found to have a market orientation in terms of the way their organisations are managed (Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010).

2.5 Summary

There is a need for more market interaction (Sanz-Velasco, 2006) or market orientation (Narver and Slater, 1990) on the part of the entrepreneurs. The study by Sanz-Velasco (2006) concluded that sales activities in a given customer segment could have facilitated a more rapid and effective development of the opportunities that were perceived. More market interaction or orientation could also have the effect of improving the long-term future of the firms in the context of the flight of venture capital that characterised the industry in the early years of the present decade (Sanz-Velasco, 2006). For example, venture capitalists could avoid excessively opportunistic entrepreneurs by discriminating for evidence of prior knowledge of customer problems, due to the fact that such entrepreneurs are more likely to be motivated by potential financial rewards rather than a pragmatic assessment of market needs.

In line with the emphasis on opportunity as a key aspect of entrepreneurship, it is essential that entrepreneurs possess skills that emphasise ‘opportunity creation and/or discovery, evaluation and exploitation (Miles and Darroch, 2006, p. 488)’ and apply market orientation in the management of their firms. Market orientation emphasises long-term focus and profitability and helps a firm to create superior value for customers, to achieve superior competitive advantage and consequently above-normal market performance (Narver and Slater, 1990; Becherer, Halstead and Haynes, 2003). Moreover, evidence from various studies (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001) has shown an alignment between entrepreneurial orientation and marketing orientation. The author proposes that, according to prior research evidence, emphasis on market interaction or orientation should contribute to an entrepreneur's ability to efficiently develop a potential opportunity. Increasing market knowledge will allow the entrepreneurs to have a more accurate focus on the customers’ needs and wants, thus being more efficient in serving the market. These activities are all elements within marketing, which can basically enhance the opportunity development and, in turn, have positive impact on firm performance and success (Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010; Hills *et al.*, 2010). Furthermore, new entrepreneurial ventures face substantial liabilities of newness which lead to higher failure rates of new firms compared to older ones (Bjerke and Hultman, 2002). Therefore, developing a market orientation is an important task for new

entrepreneurial ventures. These activities will be discussed in further details in the next chapter, which will be focused on marketing.

CHAPTER 3: MARKETING AND ENTREPRENEURIAL ORGANISATIONS

3.0 Introduction

The entrepreneurship field involves sources of opportunities, the processes of discovery, evaluation and exploitation of opportunities and the individuals who act on them (Hills *et al.*, 2010). All of these elements can be described as challenges associated with marketing. In the previous chapter we talked about entrepreneurship and the entrepreneurial process as well as opportunity identification. Opportunity identification is an essential step in the early stages of formulating and launching a new venture and may also occur throughout the life of the enterprise and the life of the entrepreneur (Hills *et al.*, 2010). However, it is insufficient to stop at the identification of opportunities; an opportunity only becomes valuable upon further development and exploitation in order to gain the desired rewards. As a result of that, chapter 2 concluded with an introduction to the link between entrepreneurial orientation and market orientation. This chapter continues by reviewing the nature of marketing as an organisational orientation and management practice, in order to elaborate on the relationship between entrepreneurship and marketing.

Evidence from various research conducted to investigate the relationships between entrepreneurial orientation (EO), marketing orientation (MO) and corporate success (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001) has already revealed that both entrepreneurial and marketing orientation, produce a positive impact on firm performance. This research has also shown an alignment between entrepreneurial orientation and market orientation. Overall, it can be said that marketing has direct relevance to the definitional factor(s) of entrepreneurship (Hills and LaForge, 1992) as marketing and entrepreneurship are both opportunity-driven, value-creating processes and can be applied in a wide variety of contexts (Morris and Lewis, 1995). It is the relationship between entrepreneurship (entrepreneurial orientation) and marketing (market orientation) – that forms the basis for this research. This link relates to the entrepreneurship and marketing interface initiated by Gerald Hills, who brought about the meeting in 1982 recognising the areas of convergence between the two disciplines.

The inherent commonalities (i.e. innovative and creative; opportunistic; flexible; change orientation; process based and market driven) between the two disciplines allowed for the acknowledgement and acceptance of the interface which has been well documented (Carson *et al.*, 1995; Morris and Lewis, 1995) and shares a common underlying philosophy (Hills and LaForge, 1992). Entrepreneurship and marketing are intimately related and neither concept has a single, universally agreed-upon definition (Carter, 2006; Stokes and Wilson, 2010). Perhaps relatedly, very little attention, from scholars of either marketing or entrepreneurship, has been focused on the fact that marketing is critical to the success of new entrepreneurial ventures (Phua and Jones, 2010).

Theories about entrepreneurs and entrepreneurship were discussed in the previous chapter, and in this chapter, the aspects of entrepreneurship related to marketing will be discussed. Marketing can be considered at several distinct organisational levels: cultural, strategic and tactical (Webster, 1995); therefore, this chapter starts off by presenting the basics of marketing as well as how it relates to the marketing activities that can be used by entrepreneurs to enhance new business ventures. Marketing activities influence intermediate outcomes (customer thoughts, feelings, knowledge, and ultimately, behaviour), which in turn influence the financial performance of the firm (O'Sullivan and Abela, 2007). The combination of activities can be thought of as an effective strategy that can allow new businesses to gain sales by providing products and/or services that offer benefits to customers superior to those of their competitors (Phua and Jones, 2010). Following, there is a need to understand how entrepreneurial marketing works in practice because this knowledge has the potential to improve the overall success rates of new entrepreneurial ventures, and, in turn, to help the entrepreneurs to achieved their desired goals and to reduce the rate of new venture failures.

3.1 Marketing

Marketing is a long established-discipline. By the 1900s, it was being found that demand consisted of more than simple purchasing power. It reflected desire as well as ability to purchase, and new experiences with advertising and salesmanship were proving that desire could be increased and molded by factors other than the mere existence of supply (Bartels, 1976). Around 1910 the term marketing was added to the familiar terms: distribution, trade and commerce. However, at that time, there was no clear concept that

justified marketing as a productive activity or as a contribution to economic production. On the contrary, the popular impression was that the middleman added cost instead of value (Bartels, 1976). Shaw and Tamilia (2001) mentioned that the origins of marketing that Bartels (1976) found was actually that of the beginnings of marketing as an academic discipline in the early-twentieth-century United States. The requirement for marketing arose from the need to stimulate demand for the growing surpluses in items, such as commodities, which occurred as a result of technological improvements during the industrial revolution (Carson *et al.*, 1995).

Marketing has been given many definitions and Crosier (1988) reviews more than fifty of them. Carter (2006) provided a functional definition and conceived marketing as a set of activities undertaken by firms for aiding and organising market exchange. Using this description, marketing refers to that combination of factors which had to be taken in consideration prior to the undertaking of certain selling or promotional activities (Bartels, 1976). Furthermore, it must be regarded not as merely a business practice, but as a social institution and is essentially a means of meeting and satisfying certain needs of people (Bartels, 1976). Marketing entered the textbooks around the 1960s, followed closely by the marketing mix (4 Ps of marketing, described in the next section) and rapidly became treated as the unchallenged basic model of marketing (Gronroos, 1994). Marketing is described by Stokes (2000) as an organisational philosophy of market orientation, guided by segmentation, targeting and positioning strategies, operationalised through the marketing mix and underpinned throughout by market intelligence. Hultman and Shaw (2003) stated that the marketing mix does not cover all types of activities in which firms engage with regard to the creation of reputation. Reputation can also be created through other avenues, such as word of mouth, referral marketing and long-term personal relations and trust (Hultman and Shaw, 2003). This study further mentioned that the aspects of the marketing mix (i.e. set of marketing tools) are a natural component of daily business life even though entrepreneurs do not necessarily think in terms of the 'marketing mix' when it comes to making decisions and creating business transactions. Therefore, the marketing mix may still be a valid concept even for small firms despite its limited explanatory and normative abilities. Similarly to Hultman and Shaw (2003), Carter (2006) stated that when entrepreneurs are concerned with organising market exchange, they are carrying out marketing activities, whether or not they describe it as such. However, marketing is not merely a set of activities; it is also a particular approach

to business that determines a firm's priorities.

Further developments eventually led to the customer-focused marketing strategies that are more commonly known. Customer-focused marketing strategies implies that the company focuses its activities and products on consumer demands (i.e. needs and wants), letting the consumers drive the strategic management decisions of the company (Bartels, 1976; Carter, 2006). Market orientation has been seen as a prerequisite to good performance and business growth (Tzokas *et al.*, 2001) and pertains to an organisation-wide desire to monitor and understand customer/market needs (Verhoef and Leeflang, 2009). Slater and Narver (1998) posited market orientation as an organisation's purpose to find out needs and wants in its target markets and then to satisfy them more effectively and efficiently than its competitors. Market orientation can be said to consist of three behavioural elements: customer orientation, competitor orientation and inter-functional co-ordination (Slater and Narver, 1998) among which behaviours firms (i.e. both small and/or big firms) tend to emphasise the customer orientation part of the elements (Narver and Slater, 1990; Slater and Narver, 1998; Reijonen and Komppula, 2010; Phua and Jones, 2010). Market orientation is also described as a culture in which organisations strive to create superior value for their customers (and superior performance for the business) by focusing on customer needs and long-term profitability (Narver and Slater; Becherer *et al.*, 2003). Kirkpatrick (1983) stated that marketing as a science is a technological or applied discipline (i.e. an art or applied science) that is aimed at defining the formal character (general principles) by which to create, promote and deliver need-satisfying products to consumers, and is therefore devoted to discovering the means by which to achieve the goal of being alert to opportunities. Carson *et al.* (1995) then suggested that the focus on customer orientation resulted in the concentration on aspects of servicing the customer through intimate relationship building and understanding as well as through growing awareness to understand the different aspects of marketing. The focus in customer orientation through these aspects in both local and global context, in turn led to new approaches in marketing, within the new context.

In addition, the ultimate goal of any marketing expenditure should be to increase the value of the firm (Hassens, Rust and Srivastava, 2009), and this is related to the customers of the firm. This is because marketing's path to financial impact is through

revenues, and the road to revenues is through the customers (Hassens *et al.*, 2009). Typically, a long chain of effects is involved to account for the impact of marketing expenditure, and the effects of marketing investment play out over time (Rust, Ambler, Carpenter, Kumar and Srivastava, 2004). The value of the firm is based on its future cash flows, and almost all positive cash flows can ultimately be traced to customers (Srivastava, Shervani and Fahey, 1998). Firms are starting to realise that the ultimate measure of their value is their customer equity: the sum of the lifetime values of the firms' current and future customers (Hassens *et al.*, 2009). Numerous other related studies (i.e. Rust, Lemon and Zeithaml, 2004; Gupta, Lehmann and Stuart, 2004; Libai, Eitan and Renana, 2009; Kumar and Denish, 2009) have also found a positive relationship between the two variables, providing evidence of correspondence between customer equity and firm value. This, in turn, enables the possibility of linking marketing actions to customer equity, which means that marketing managers can now place a value on what changes in customer equity drivers resulting from marketing actions mean for the value of the firm (Rust *et al.*, 2004; Hassens, Thorpe and Finkbeiner, 2008).

Morris *et al.* (2002) described the role of marketing as evolving from the early concerns with distribution to a concern for selling and promoting, the strategic formulation of an integrated marketing mix, the management of customer relationships and, more recently, the coordination of networks and alliances with various members of the value chain. Bjerke and Hultman (2002) commented on the fact that marketing is commonly seen as a business function along with others such as manufacturing and finance and that the theoretical foundations of marketing is economics with influences from behavioural sciences, systems theory, political science and organisational theory. Economic theory has provided more concepts for the development of marketing thought than any other social discipline. This is because of the liberal application of economists' concepts relating to the individual business enterprise to the improvement of the efficiency of marketing through management of the individual firm (Bartels, 1976). It is important to study marketing because it permeates society (Dibb, Simkin, Pride and Ferrell, 1997) for five reasons. Marketing activities are performed in both business and non-business organisations. Marketing activities help business organisations generate profits and income, the life-blood of an economy. The study of marketing enhances awareness. Marketing, practiced well, improves business performance. Finally, marketing costs absorb half of what the consumer spends.

3.1.1 Marketing: Theories and Practice

During the 1960s a major change in marketing thought began, namely, the inclusion of society in marketing theory and practice. Marketing is viewed not merely in the context of the total market system, or even of the socio-market system, but of the total social system (Kelley and Lazer, 1973). This resulted in a movement from the consideration of profits or sales only to a consideration of the societal implications and dimensions of marketing decisions and action (Bartels, 1976). Marketing was typically seen as the task of creating, promoting, and delivering goods and services to consumers and businesses; marketers are skilled in stimulating demand for a company's products, but this is too limited a view of the tasks marketers perform. Just as production and logistics professionals are responsible for supply management, marketers are responsible for demand management (Kotler, 2003). In other words, marketing managers seek to influence the level, timing, and composition of demand to meet the organisation's objectives. Dibb *et al.* (1997) described marketing as consisting of individual and organisational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas. Marketing people are involved in marketing ten types of entities: goods, services, experiences, events, persons, places, properties, organisations, information, and ideas (Kotler, 2003). Essentially, there are two different categories of definition for marketing: social and managerial. Marketing has been described by the American Marketing Association as an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders (Keefe, 2004). On the other hand, marketing is also conceived as a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others (Kotler, 2003).

In 1957, Wroe Alderson put forward the theory about marketing as a competitive process. In this view, markets are recognised as arenas of dynamic, rivalrous competition in which firms are engaged in a constant struggle to establish and maintain an advantage over competitors. The goal of obtaining competitive advantage is achieved by engaging in an unending search to differentiate one's products from those of competitors. Furthermore, the *domain of marketing* is analysed as a process of organising heterogeneous supply to

meet heterogeneous demand, which then leads to exchange (Alderson, 1957). Heterogeneous markets are not mediated by price, but by continual and unending entrepreneurial innovation. Dickson (1992) posited that the competitive process forces firms to adopt a customer-oriented approach corresponding to the *marketing concept*. The origins of the marketing concept dates back to the 1950s (McKitterick, 1957); since then it has developed to be a central part within the marketing management literature (Baker, 2000). The concept states that an entity achieves its own exchange determined goals most efficiently through a thorough understanding of the potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and then by designing, producing, and offering products in light of this understanding (Houston, 1986). The marketing concept essentially refers to market orientation in the conduct of business (Carter, 2006), which focus on satisfying the needs and wants of customers more effectively and efficiently than its competitors (Slater and Narver, 1998; Carter, 2006). This approach is based on the premise that greater customer satisfaction enhances the profits of the firm (Carter, 2006). Marketing designates that viewpoint taken in business management which causes all management decisions to be oriented to market considerations whereby the consumer or customer is assumed to be the end and object of all business effort (Bartels, 1976) to good performance and business growth (Tzokas *et al.*, 2001). Among the three behavioural elements (i.e. customer orientation, competitor orientation and inter-functional co-ordination) associated with the concept of market orientation (Narver and Slater, 1990; Slater and Narver, 1998), firms (i.e. both small and/or big firms) have been found to have the tendency to emphasise mainly on the customer orientation element during the management of their businesses (Narver and Slater, 1990; Slater and Narver, 1998; Reijonen and Komppula, 2010; Phua and Jones, 2010). This tendency shows that the customer orientation element is generally perceived as being the most relevant and/or advantageous among managers and/or entrepreneurs.

There are several core concepts related to marketing that can be used to provide a clearer understanding of *marketing* (Kotler, 2003). These have been summarised in table 3.1. The last concept in table 3.1 describes the *Marketing Programme*. In the creation of the marketing programme, the marketing mix is an essential aspect that has to be considered. The *marketing mix* is basically the set of marketing tools the firm uses to pursue its objectives in the target market (Borden, 1965). In other words, it is a combination of

means for achieving the marketing objective of a business firm Bartels (1976), and the elements of mix includes all promotional means under the authority of the manager of marketing activities (i.e. personal selling, advertising, credit service, product development, packaging, dealer relations, etc.). McCarthy (1960, 1996) classified these tools into four broad groups that he called the four Ps of marketing: *product* (the aspect of the marketing mix that deals with researching consumer's wants and designing a product with the desired characteristics); *price* (establishing pricing policies and determining product prices); *place* (the distribution channels that allows the manager to make products available to consumers); and *promotion* (relates to activities use to inform one or more groups of people about an organisation).

Table 3.1: Summary of Core Concepts related to Marketing

Target Markets and Segmentation	Marketers divide the market; identify and profile groups of buyers who might prefer or require varying product and services mixes. Segments can be identified by examining demographic, psychographic, behavioural differences among buyers; the marketer then decides which segments present the greatest opportunities to be the target markets
Marketplace, Marketspace, and Metamarket	Market describes various groupings of customers; <i>need markets</i> , <i>product markets</i> , <i>demographic markets</i> , and <i>geographic markets</i> ; <i>voter markets</i> , <i>labour markets</i> , <i>donor markets</i> . <i>Marketplace</i> is physical (i.e. shopping in a store); <i>marketspace</i> is digital (i.e. shopping on the Internet). <i>Metamarket</i> is a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries
Marketers and Prospects	Marketer is someone seeking a response (attention, a purchase, a vote, a donation) from the prospect. The marketer must try to understand the prospect's needs, wants and demands.
Needs, Wants, and Demands	Needs are basic human requirements (i.e. food, air, water, clothing and shelter to survive). The needs will become wants when they are directed to specific objects that might satisfy a need. Demands refer to wants for specific products backed by the ability to pay.
Product, Offering, and Brand	Companies address needs by putting forth a value proposition, a set of benefits they offer to customers to satisfy their needs; the intangible <i>value proposition</i> is made physical by an <i>offering</i> , which can be a combination of products, services, information and experiences and a <i>brand</i> is an offering from a known source.
Value and Satisfaction	The offering will be deemed as successful when/if it delivers <i>value</i> and <i>satisfaction</i> to the target buyer.
Exchange and Transactions	<i>Exchange</i> is the core concept of marketing; it is the process of obtaining a desired product from someone offering something in return. <i>Transaction</i> is a trade of values between two or more parties
Relationships and Network	<i>Relationship marketing</i> has aim of building mutually satisfying long-term relations with key parties – customers, suppliers, distributions – in order to earn and retain their business. A <i>marketing network</i> consists of the company and its supporting stakeholders (i.e. customers, employees, suppliers, distributors, retailers, ad agencies, etc)
Marketing Channels	To reach a target market, a marketer uses three kinds of marketing channels; <i>communication channels</i> , <i>distribution channels</i> and <i>service channels</i> . Marketing channels connect the marketer to the target buyers.
Supply Chain	<i>Supply chain</i> is a longer channel stretching from raw materials to components to final products that are carried to final buyers
Competition	Competition includes all the actual and potential rival offerings and substitutes that a buyer might consider; and it represents only one force in the environment in which the marketer operates.
Marketing Environment	The marketing environment consists of the task environment and the broad environment
Marketing Program	The marketer's task is to build a marketing program to achieve the company's desired objectives; the <i>marketing program</i> consists of numerous decisions on the mix of marketing tools to use.

Over time, there has been a huge amount of research conducted with reference to the marketing mix and the four Ps of marketing. The results of which allowed for the development of this concept, and consequently additional elements have been added to further define this area, such as Bitner and Booms' (1981) inclusion of three additional Ps (*People, Process, Physical Evidence*) to accommodate the new trends towards a service and knowledge based economy. *People* represent the variable that controls the marketing mix, facilitates the product's distribution and sale, and – as consumers or buyers – gives marketing its rationale. This includes all people who directly or indirectly influence the perceived value of the product or service, including knowledge workers, employees, management and consumers. *Process* refers to procedures, mechanisms and flow of activities that lead to an exchange of value. *Physical evidence* indicates the direct sensory experience of a product or service that allows a customer to measure whether he or she has received value. Examples might include the way a customer is treated by a staff member, or the length of time a customer has to wait, or a cover letter from an insurance company, or the environment in which a product or service is delivered. Academics have occasionally offered additional *Ps* to the list since they have found the standard 'tablet of faith (list of categories of marketing variables – *Four Ps*)' too limited (Gronroos, 1994).

Since the introduction of the marketing mix paradigm about fifty years ago, it had been viewed as being the dominating marketing approach until the entrance of relationship marketing (Gummesson, 1987; Gronroos, 1991; Gronroos, 1994). The shift in the perception of the fundamentals of marketing is so dramatic that it can be described as a paradigm shift (Gronroos, 1994). Prior to this shift, marketing researchers had been passionately convinced about the paradigmatic nature of the marketing mix and the *Four Ps* model. This shift thus challenged the marketing mix as the basic foundation for all marketing thinking (see Kuhn, 1970). The marketing mix originated from the development of the marketer as a *mixer of ingredients* Culliton (1948), whereby the marketer plans various means of competition and blends them into a *marketing mix* so that the profit function is optimised or satisfied. The concept of the *marketing mix* was introduced by Neil Borden and consisted of a list of twelve categories of marketing variables that have to be reconsidered for every given situation (Borden, 1964). This original list was eventually reformulated by McCarthy (1960) into the shape of the rigid mnemonic of the *Four Ps*. Gronroos (1994) argues that defining or describing a

phenomenon by such a list cannot be considered very valid because a list never includes all relevant elements.

Any marketing approach should be able to allow the fulfilment of the marketing concept, which is the idea that the firm is best off by designing and directing its activities according to the needs and desires of customers in chosen target markets. Gronroos (1994) posited that the *Four Ps* of marketing are not well able to fulfil that requirement and stated that the problem with the marketing mix management is related to the theoretical nature of the concept. The theory for *Four Ps* was built on a loose foundation, as demonstrated by Van Waterschoot and Van den Bulte (1992), when they pointed out three major flaws. First, the properties or characteristics that are the basis for classification have not been identified. Second, the categories are not mutually exclusive. Third, there is a catch-all subcategory that is continually growing yet many marketing related phenomena are still not included. However, as mentioned earlier the marketing mix is still viewed as a natural component of daily business life (Hultman and Shaw, 2003) even though it was described as losing its dominant position (Gronroos, 1994). Gronroos (1994) argues that this could be attributed to the fact that the addition of more *Ps*, especially the variable *People*, might have allowed the marketing mix to continue being an important part of marketing texts and the theory of marketing. Furthermore, it could be that the use of the marketing mix today has already taken into account the requirement of blending and integration of the elements, and the interactive nature of the elements, that has been emphasised in many marketing texts by marketing researchers (i.e. Gronroos, 1994; McCarthy, 1996; Kotler and Keller, 2005). The marketing mix approach or the '4P-approach' has also been described by some researchers (i.e. (Vargo and Lusch, 2004; Webster, Malter and Ganesan, 2005) as being the traditional approach, which does not fit the requirements of today's fast-changing business environments.

For the last decade, one of the top priorities of the Marketing Science Institute has been the issue of Accountability or ROI of Marketing Expenditures (MSI, 1998; MSI, 2000; MSI, 2002; MSI, 2004; MSI, 2006; MSI, 2008). Accountability and ROI of marketing expenditures continues to be a key area of concern; it was one of the three capital topics from the 2006-2008 (MSI, 2008). Given that economic conditions are likely to be tight over the next two years, companies are more interested than ever in understanding and measuring the returns being obtained from marketing investments (MSI, 2008). This

includes the returns to advertising, both long and short term, as well as money spent in the digital communications environment (MSI, 2008).

Accountability in business to business needs special emphasis, as does assessing the investments being made in operating marketing organisations within the firm (MSI, 2008). In other words, the concern is related to the need to measure the marketing contribution in relation to firm performance. Marketing performance measurement refers to the assessment of the relationship between marketing activities and business performance (Clark and Ambler, 2001). In response to the calls for more research in this area, many studies on accountability of marketing have already been done (i.e. Srivastava *et al.*, 1998; Rust *et al.*, 2004; O'Sullivan and Abela, 2007; Rao and Bharadwaj, 2008; Verhoef and Leeflang, 2009; Hassens *et al.*, 2009). There is an underlying assumption within these studies that the improvement of the ability to justify and account for marketing activities and expenditure would eventually lead to greater status/influence for marketing (Webster *et al.*, 2005) as well as improve firm performance (Morgan, Clark and Gooner, 2002; Rust *et al.*, 2004; Rao and Bharadwaj, 2008).

Marketing's role within firms has received considerable attention from the academic literature and popular press (Verhoef and Leeflang, 2009), and the general consensus has been that in many companies the marketing function or the influence of the marketing department is in steep decline (Webster *et al.*, 2005; O'Sullivan and Abela, 2007; Verhoef and Leeflang, 2009). Marketing practitioners have been under increasing pressure to demonstrate their contribution to firm performance (O'Sullivan and Abela, 2007), and it has been argued that the inability to account for marketing's contribution has undermined the standing within the firm (Webster *et al.*, 2005; Kumar and Denish, 2009). It is widely accepted that marketing initiatives do help firms to acquire and retain customers; however, the link between cash flows from customers' purchases and shareholders' wealth is not fully understood (Rao and Bharadwaj, 2008). In turn, this presents a need for accountability, as well as understanding how marketing performance relates to firm performance as a whole. Rao and Bharadwaj (2008) found that marketing can affect shareholders' wealth by determining the firm's net present value and potentially reduce the firm's cash needs. They proposed that by reducing the cash needed, marketing can increase the firm's productivity (operating efficiency). By increasing productivity, marketing can increase the firm's competitive posture and, thus, its long-term viability

(Rao and Bharadwaj, 2008). A study by Verhoef and Leeflang (2009) found that accountability and innovativeness of the marketing department represents the two major drivers of its influence, and presented the following summary:

- Marketing has dropped lower on the corporate hierarchy
- Marketing and management issues are receiving less attention in the boardroom (McGovern, Courts, Quelch and Crawford, 2004).
- Marketing is now perceived as a cost, not an investment.
- Marketers are being marginalised, in the sense that many strategically important aspects of marketing have moved to other functions in the organisation (Sheth and Sisodia, 2005).
- The synergies that result from mixing marketing decisions have disappeared.
- The roles of the general manager, chief financial officers (CFOs) and other budget-focused positions, have become more important than the role of chief marketing officers (CMOs) (Nath and Mahajan, 2008).
- Most CMOs are in the hot seat, with tenures averaging 22.9 months (Hyde, Landry and Tipping, 2004).

The answer to the question of whether marketing is a science and what kind of theories it comprises depends mainly on the way marketing is defined. The confusion and controversy that have made issues of the status of marketing thought have originated largely in the diversity of concepts of marketing that have been prevalent in the literature (Bartels, 1976). Although there are many definitions of marketing, as previously described, two of the major concepts stand out indicating that marketing is an economic process as well as a social process. The writings of Shaw and Tamlia (2001) indicated that at the turn of the twentieth century, one of the central problems for marketing thought was a seller finding stable and profitable sources of demand (and on the other side of a transaction, a buyer finding predictable low-cost sources of supply). This concept, generally expressed by the term *marketing*, became known in the 1960s as the marketing concept – a business orientation of satisfying customers and thereby generating profitable sales through repeat purchases (Shaw and Tamlia, 2001). They went on to state that in the 1980s, the marketing concept was replaced by the newer term *relationship marketing*, which emphasises lasting customer relationships rather than focusing on individual transactions. At the dawn of the twenty-first century, the term *customer relationship management* replaced the previous term. Although throughout the

past century, new terminologies continually replaced the older terms, the fundamental concept of a seller using the best techniques available to find stable sources of profitable sales has remained constant (Shaw and Tamilia, 2001).

3.1.2 Marketing Strategies

Srivastava *et al.* (1998) stated that the value of a firm is based on the current cash flow as well as growth and risks associated with future cash flows, and the market performance measures can be linked to *market-based assets*, *marketing capabilities* and *marketing actions*. *Market-based assets* are customers, brands, channels, and innovation. *Marketing capabilities* refer to market orientation and expertise, which are essential for efficient and effective use of resources in the market place. *Marketing actions* are based on strategy development and execution of business models that leverage marketing assets and capabilities. These assets, capabilities and accompanying actions not only affect market performance (profitability, growth, risk) but also lead to key marketing metrics, such as customer satisfaction and retention, brand loyalty and reputation (Srivastava *et al.*, 1998). Strong marketing strategies are clearly important to the effectiveness of an organisation (Smith, 2003), thus the effectiveness of marketing strategy processes are an important consideration for both academics and professionals.

Marketing strategy is represented by three components: product-market breadth, which is similar to the breadth of business activities; differentiation from competitors in the market; and market experience, which reflects the familiarity with market conditions (Miller, 1987; Pehrsson, 2009). Product-market breadth corresponds to the nature of business activities and is manifested by the breadth of the product range and customer types, in which greater differences among products and customers indicate greater breadth (Miller, 1987). Marketing strategy involves selecting and analysing a target market – the group of people whom the organisation wants to reach and creating and maintaining an appropriate marketing mix (product, distribution, promotion, price and people) – to satisfy this market (Dibb *et al.*, 1997). While definitions of marketing strategy vary, the literature seems to hold a strong consensus about the content of marketing strategy (Smith, 2003). At its simplest, marketing strategy is agreed to have two necessary components: a definition of the target 'market' and a statement of the 'product' or 'value proposition' aimed at that target (Drucker, 1974; Mintzberg, 2000).

This dual-component view of marketing strategy is sufficient to differentiate marketing strategy from strategies relating to other non-marketing functions, such as research and development or manufacturing, and from other non-strategy aspects of marketing management such as tactical actions (Smith, 2000). Although the view is sufficient for identification of marketing strategies, there is little guidance for assessing the quality of a marketing strategy (i.e. a weak marketing strategy can contain the same components as a strong one). The literature concerning marketing strategy content is noticeably lacking in providing indications of desirable marketing strategy properties (Smith, 2003).

The extent of value-adding activity can be crucial to a marketing strategy as it establishes the capacity to implement strategy and exploit competitive advantages based on differentiation from competitors (Porter, 1985). Porter was among the first to conceptualise value-adding as a set of individual activities that sustains competitive advantage; he distinguishes between primary and supporting activities. The extent of value-adding is basically equal to the number of individual activities (product development, production, promotion, sales, and after-sales services) performed by the firm. Furthermore, because cost control is an ingredient of price and customers are generally more concerned with prices than firm costs, prices are frequently subject to differentiation (Porter, 1980). Product innovation is another way to differentiate the product from competing products, (Alden, Steenkamp and Batra, 1999; Kustin, 2004). Differentiating products may give the firm a competitive advantage because differentiation creates layers of insulation against competitive warfare (Porter, 1980). Subsequently, other authors explored other avenues of value adding activities. Examples of such studies include the following: Evans and Berman (2001) incorporated goals, total delivered product, and perceived outputs; McLarty (2005) focused on value adding in small- and medium-sized firms; and Hobday and Rush (2007) suggested product development and production. Furthermore, the individual activities can be combined in different ways, and the number of individual activities manifests the extent of value-adding activity (Pehrsson, 2009). As customers react to differentiation attempts, Shaw (2001) suggested that there is a need to put the attributes into categories that are relevant from the customers' point of view. Pehrsson (2009) found that product-market breadth and market experience positively affect the extent of value adding. Also, market experience has a moderating effect and strengthens the positive association between product-market breadth and the extent of value adding. A firm's financial performance is

positively associated with the number of value-adding activities of the firm (Pehrsson, 2009).

Smith (2003) posited that rational planning processes contribute to organisational effectiveness. However, this is based on the fact that there is relatively little knowledge about the value of the more commonly employed non-rational processes of strategy making. It was also found that the content of strong marketing strategies is useful for the purpose of evaluating the outputs of marketing strategy making processes and offers a valuable alternative to attempting to correlate strategy making process with organisational outputs (Smith, 2003). Furthermore, it was also discovered that the normative, prescriptive models of strategic marketing planning are not accurate description of most practice. In other words, the application of the process in practice is not the same as what the theory proposed. Evidence was found in earlier studies (i.e. Ames, 1970; Bell and Emory, 1971) that although firms espoused the values of marketing, their actual behaviour was contradictory; thus, strategic marketing was widely claimed yet much less widely practised (Zeithaml, Parasuraman and Berry, 1985; McDonald, 1996). Research was also done on how marketing planning was supplanted by less rational decision processes (Carson and Cromie, 1989; Currens, Folkes and Steckel, 1992). However, Smith (2003) argues that the criticisms previously described could be attributed to being overly concerned with semantics: a strategic marketing plan that does not use the terminology and structure of accepted texts is still a strategic marketing plan. Similarly, this is supported by findings from a study conducted on entrepreneurial marketing that basically confirmed that the entrepreneurs do utilise marketing tools in the day-to-day management of their businesses (Phua and Jones, 2010). However, the marketing strategy is not formalised with the level of sophistication associated with large organisations or of that espoused in academic text. Rather, Phua and Jones (2010) suggested that the entrepreneurs have an intuitive grasp of the key elements associated with a structured marketing strategy. On the other hand, studies (i.e. Piercy, 1989; Piercy, 1997) have shown that one of the central techniques for aligning the internal and external environments, and therefore defining the basis of competition in a market, such as the *SWOT* analysis, has been misused. Through their examination of the practice, it was revealed that the technique is usually reduced to a subjective listing exercise, identifying none of the key issues that are the intended output of the technique. However, this result alone does not indicate that the technique does not work or is ineffective. It can be due to

the fact that the prescriptive rational model of strategic marketing planning is not an accurate description of what occurs in many organisations even though it is appropriate in theory. In effect, this discrepancy calls for more improvements to the marketing strategy processes (e.g. Kohli and Jaworski, 1990; Menon, Bharadwaj and Howell, 1996; Varadarajan, 1999) in order to make them more appropriate to the situations in which they are used. For example, that a strategy can be appropriate for big companies does not mean it is appropriate for SMEs / entrepreneurial new ventures (Phua and Jones, 2010), therefore improvements can be made in order to make these types of strategies more effective.

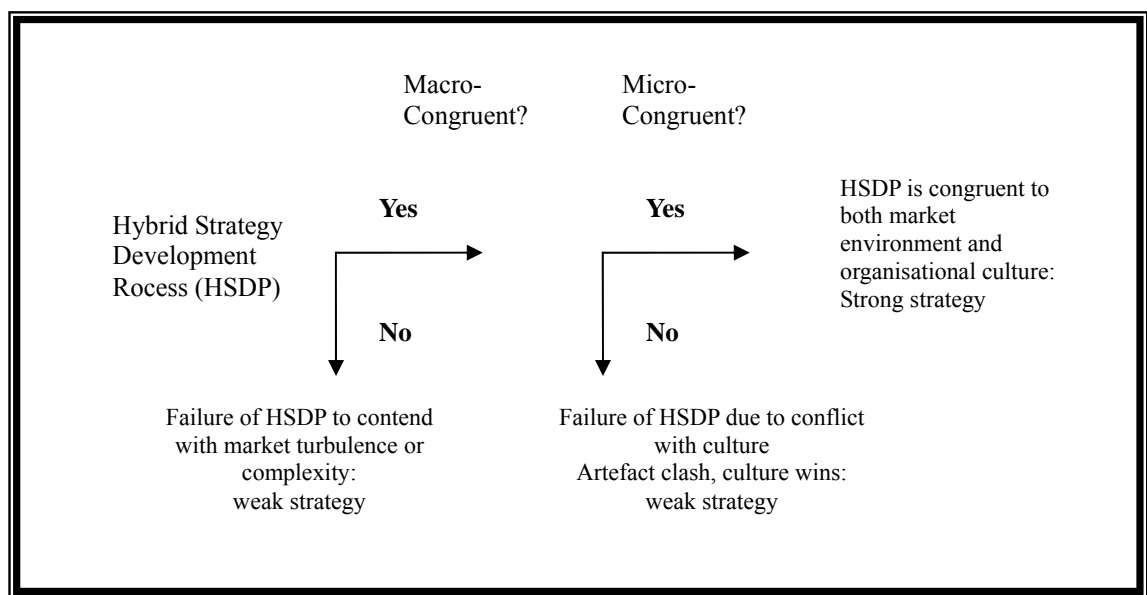


Figure 3.1: Combined congruency model (Smith, 2003, p. 284)

The effectiveness of normative strategic planning is contingent upon both internal and external factors, both of which are limited in the degree to which they can be moderated by practitioners (Smith, 2003). In this case, the internal factors relate directly to organisational culture, and the external factors refer to the market conditions that the firm operates in. Smith (2003) also built a theoretical *combined congruency model* (figure 3.1) which is based on the congruency hypotheses of Burrell and Morgan (1979), and suggested that the model might offer an explanation of marketing strategy making effectiveness. The key constructs of the combined congruency model by Smith (2003, p. 284) are listed here.

- The hybrid strategy making process: that combination of command, incremental

and rational processes which accurately describe the set of marketing strategy making activities undertaken by an organisation. This might be expected to be characteristic of any given organisation.

- Macro-congruence: the degree to which the hybrid strategy making process copes with the external market conditions, particularly the complexity and turbulence of the market.
- Micro-congruence: the degree to which the hybrid strategy making process copes with the internal organisational conditions, which can be seen as artefacts of the organisational culture.
- Strategy strength or quality: the degree to which the resultant marketing strategy meets the conditions of a strong strategy as derived from the consensus view of the literature.

Dibb *et al.* (1997) stated that marketing strategy requires managers' focus on four tasks to achieve set objectives: (1) marketing opportunity analysis, (2) target market selection, (3) marketing mix development and (4) marketing management. All marketing strategy is built on STP – *Segmentation, Targeting and Positioning* (Kotler, 2003). According to Kotler (2003), a company discovers different needs and groups in the marketplace, targets those needs and groups that it can satisfy in a superior way, and then positions its offering so that the target market recognises the company's distinctive offering and image. *Positioning* is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market; the end result of positioning is the successful creation of a customer-focused value proposition, a cogent reason why the target market should buy the product (Kotler, 2003). In a slightly different way Dibb *et al.* (1997) indicated that there are three stages to carrying out market segmentation: *segmentation, targeting and positioning*, as shown in figure 3.2. Dibb *et al.* (1997) argue that there are many ways in which customers can be grouped and markets segmented. In different markets, the variables that are appropriate change. The key is to understand which are the most suitable for distinguishing between different product requirements. Understanding as much as possible about the customers in the segments is also important, as marketers who *know* their targets are more likely to design an appropriate marketing mix for them. Once segments have been identified, decisions about which and how many customer groups to target can be made. Companies must decide precisely how and where within the targeted segments to aim a product or products, brand or brands.

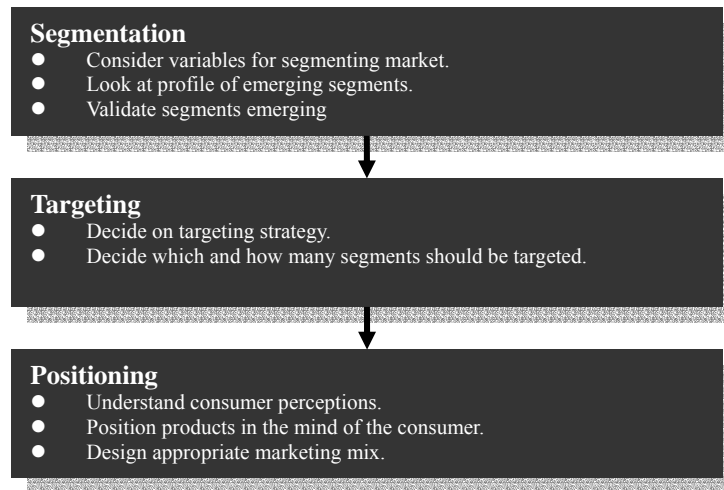


Figure 3.2: Basic elements of segmentation (Dibb et al., 1997, p. 205)

Hassens *et al.* (2009) explored relationships along the ‘value-added’ chain from marketing actions to marketplace outcomes, and the creation of market-based assets and firm values; it was stated that many marketing assumptions and strategies are focused on segmentation and differentiation. One reason for the widespread acceptance of the segmentation approach is the belief that organisations cannot normally serve all of the customers in a market (Dibb, Stern and Wensley, 2002). Segmentation helps to homogenise market heterogeneity and allow for improved organisational performance by targeting specific segments of the market (Dibb *et al.*, 2002), and customers who have been categorised according to similar buying needs and behaviour will tend to demonstrate a more homogeneous response to marketing programme. The success of these marketing actions is reflected in the effectiveness of variables, such as brand loyalty and customer retention (Hassens *et al.*, 2009). In fact, studies by Mizik and Jacobson (2009) and Krasnikov, Mishra and Orozco (2009) found that marketing metrics (i.e. brand loyalty and customer retention) provide highly valuable information to investors even beyond pure accounting measures such as margins and turnover.

The concept of segmentation is something that we pick up at a very early age (Bond and Morris, 2003). As young children we naturally group things together (e.g. boys and girls, adults and children); the concept of splitting people into groups is essential to our lives. This social categorisation process helps us to simplify the world we live in and reduces uncertainty in our social interactions (Abrams and Hogg, 1990). This adaptive process continues throughout our lives and finds a natural expression in marketers' desire to

segment their consumers into different types. Bond and Morris (2003) argues that traditional attitudinal segmentations can prove disappointing when looking for differences between groups on behavioural or brand preference measures. A form of latent class segmentation (cluster wise regression), was proposed by Bond and Morris (2003) as an alternative approach to establishing meaningful market segments; the method's emphasis on the importance of different attributes to different groups of people could be usefully incorporated into qualitative group methodology to produce meaningful and robust market segmentation. Research on segmentation within the business domain indicates that although considerable amounts of research have been carried out, these efforts appear to focus on sub-areas of segmentation, such as the development of segmentation bases and models, at the expense of a more strategic view (Goller, Annik and Kalafatis, 2002). In the review of the literature on market orientation and business segmentation, Goller *et al.* (2002) identified a number of links between these two concepts. While attitudes held by senior management and existing organisational structures can impede or enhance the achievement of market orientation (Kohli and Jaworski, 1990), they can also impede or enhance the implementation of segmentation (Bonoma and Shapiro, 1984). Furthermore, attitudes and organisational structures can lead to implicit segmentation schemes (Jenkins and McDonald, 1997). This suggests a link between the attitudinal component of market orientation and segmentation. Attitudes will affect behaviours in an organisation (Goller *et al.*, 2002). The behavioural components of market orientation are customer orientation, competitor orientation and inter-functional co-ordination (Narver and Slater, 1990; Slater and Narver, 1998), and there are clear links between market orientation and the segmentation analysis, evaluation and implementation phases (Goller *et al.*, 2002).

Market segmentation is one of the fundamental principles of marketing, and marketing theory suggests that businesses adopting a market segmentation approach can enhance their organisational performance (Kotler, 1997). The underlying logic is that segmentation can enhance marketing effectiveness and improve an organisation's ability to capitalise on marketing opportunities (Beane and Ennis, 1987; Weinstein, 1987). The concept of segmentation has gained increasing importance since its conception over 70 years ago by Frederick (1934), with the publication of an early textbook, in business marketing as a separate discipline. The importance of market segmentation is applicable to both the consumer and the business domains. However, studies such as that conducted

by Jenkins and McDonald (1997) indicated that the tool *segmentation*, which is fundamental to strategic marketing planning, is honoured in name and yet abused in practice. They found that in reality, most companies rely on customer categorisation bolted on to the customer contact part of the company whereas, strategically, segmentation is meant to be both customer-driven and reflected in organisational structure (Jenkins and McDonald, 1997).

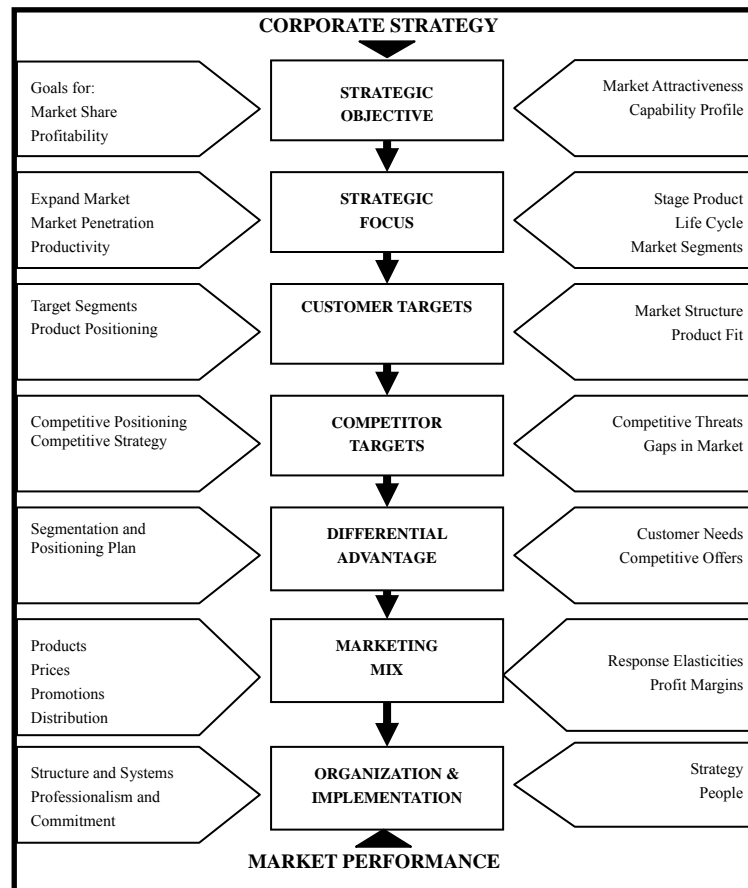


Figure 3.3: Components of Marketing Strategies (Saunders and Wong, 1985, p.130)

However, there is more to marketing strategies than just the use of market segmentation. Saunders and Wong (1985) suggested that there are nine key components which make up a marketing strategy: strategic objectives, strategic focus, customer targets, competitor targets, differential advantage, marketing mix, organisation and implementation. The model that illustrates this marketing strategy, can be seen in the figure 3.3. The components of marketing strategy (figure 3.3) were created based on a study of large UK companies done by Saunders and Wong (1985) and is a comprehensive model that includes most elements necessary in the formation of a marketing strategy. The findings

from that study show several distinctions between successful and less successful companies (Saunders and Wong, 1985, p.130). They are summarised below.

● ***Strategic objectives***

There was a striking difference between the strategic objectives of the two groups. The less successful companies were far more concerned about short term profits than gaining market share. The pursuit of short term profits at the expense of sales may give short term benefits but at the expense of long term returns.

● ***Strategic focus***

It was to be expected that the more aggressive objectives of the successful companies would be reflected in their focus. The successful firms aimed to gain share by beating competition while the less successful ones hoped to retain their position in the market. Less expected were the differences in market entry strategies. Whereas the successful companies intended to enter emerging segments, the less successful desired to enter established markets. This showed a misguided risk aversion on behalf of the less successful businesses.

● ***Differential advantage***

Market success and profit performance depend on the ability of a company to achieve differential advantage over its competitors, either across the whole market or for a segment that can be dominated. In the study the successful companies showed a broad range of advantages across the whole technological and marketing fronts. Technically they were superior in "advanced research", "flexible and responsive R&D", "product design" and "efficient large scale manufacturing". Their supremacy in marketing is similarly uniform. The successes tended to be better at "stimulating primary demand", "product differentiation" and "efficient sales and marketing". It provides little scope for the less successful companies to gain an edge, and certainly no opportunity for them to enter markets late.

● ***Marketing mix***

The marketing mix of the successful companies is consistent with their strategic thrust. They maintained superior product quality and good trade relationships through customer and dealer support. The pricing and promotional expenditures of the two groups were broadly similar. There was also no significant difference between the extras they offered or the width of their product ranges. A few of the successful companies used high advertising levels, but the main plank of their better performance was providing value for money—offering superior quality products and service at competitive prices.

Marketing Strategy Components	Key Considerations	Principal Inputs
Corporate Strategy	Organisational Goals	Company profile Resources Aims
Strategic Objectives	Market share goals Profitability aims	Market attractiveness Capability Profile
Strategic Focus	Market penetration <ul style="list-style-type: none"> Market/product Developments Market/product Diversification Productivity	Product Life-Cycle Market <ul style="list-style-type: none"> Segments Customer needs Competition Levels
Customer Targets	Targeted segments Product positionings	Market Structure Product Fit
Competition	Competitors' strategies Competitive positionings	Competitive threats Gaps/Opportunities
Differential Advantage	Targeted segments Desired product positionings	Customer needs Competitors' offers
Marketing Mix	The 4 Ps Product, Price, Promotion, Place,	Target Segments Needs Response elasticities Resources/Profit margins
Organisation & Implementation	Structure and Systems Professionalism Commitment Understanding of strategy	Strategy's needs People Corporate policies
Market Performance	Success of strategy and implementation Achievement of goals	Quality of analyses Strategy choice Marketing mix quality

Figure 3.4: Components of Marketing Strategies (Dibb et al., 1997, p.649)

Dibb et al. (1997, p.649) built on the Saunders and Wong's model and categorised the variables contributing to *Components of Marketing Strategy Model* (figure 3.4). Essentially, the core of the model is the same as the one from Saunders and Wong (1985) (figure 3.3). The difference is that in Dibb et al.'s model, the variables have been categorised into *Key considerations* and *Principal Inputs* and that they included more details of elements. The key considerations (latent variables) refer to the variables that are meant to be taken into account during the strategy planning process. The principal inputs are the factors (observable variables) that contribute to the key considerations.

3.2 From Marketing to *Entrepreneurship and Marketing*

In the previous section, we have discussed about marketing and marketing strategies in terms of the theory development as well as the 'text-book' methods, which relates to

normal and/or large firms. However, marketing and implementation of marketing decisions are not exclusive to large firm settings (Romano and Ratnatunga, 1995). Small and emerging firms face marketing issues critical for their own survival and growth, yet strategies that can be appropriate for large firms companies may not be appropriate for SMEs / entrepreneurial new ventures (Phua and Jones, 2010). Due to the unique characteristics of small firms, marketing is performed differently than in larger firms (Carson and Gilmore, 2000). In turn, this implies that small firms' practices are essentially different from the conventional descriptions and practices espoused in the textbooks, which cater mostly to larger firms. The small firm is not the large firm "writ small"; there is something to be learnt from the truly entrepreneurial small firm, a behavioural difference that is both worth capturing and capable of exploitation (Bolton, 1971; Day, 2000). The traditional marketing concept, however, fails to explain the marketing behaviour of small firms, and similar claims are now being made of large firms due to the gap between theory and practice (Fillis and Rentschler, 2005).

Marketing theories should be learning driven (Slater and Narver, 1995). With the rapid advances in technology, enterprises are frequently faced with the need to redesign their processes in ways that sustain and improve their competitive advantage (Phan, Chen and Ahmad, 2005). Evidence from research (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001), to investigating the relationships between entrepreneurial orientation (EO), marketing orientation (MO) and corporate success, has shown an alignment between entrepreneurial orientation and market orientation. Kirkpatrick (1983) stated that economic theory needs to explain real world phenomena in terms of plans and actions of individual human beings that generate the competitive process. At the centre of this process is the entrepreneur, who is similar to the marketer. The entrepreneur-marketer's function is to be alert to profitable opportunities ahead of everyone else (Kirkpatrick, 1983). Opportunity identification is an essential step in the early stages of formulating and launching a new venture and may also occur to greater or lesser degree throughout the life of the enterprise and the life of the entrepreneur (Hills *et al.*, 2010). The entrepreneurship field involves sources of opportunities, the processes of discovery, evaluation and exploitation of opportunities and the individuals who act on them (Hills *et al.*, 2010). The process of opportunity exploitation is best aided by entrepreneurial marketing processes which, as described by Miles and Darroch (2006), emphasise opportunity creation and/or discovery, evaluation and exploitation.

Styles and Seymour (2006) indicated that, despite the growing practice and academic interest in the topic of entrepreneurship, the contribution to the field of entrepreneurship from the marketing discipline has been minimal. Marketing and entrepreneurship have been traditionally regarded as two distinct fields of study. The principles and concepts from the entrepreneurship literature have been applied to the formulation of marketing strategy and tactics, new product development, sales management, buyer behaviour, and marketing education (Morris and Lewis, 1995). Research relevant to marketing in entrepreneurial firms is mainly found in work related to the marketing/entrepreneurship interface and in marketing in small firms. It is interesting to note that although many researchers (e.g. Narver and Slater, 1990; Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001; Hills *et al.*, 2010) have succeeded in developing links between entrepreneurship and marketing, there is still a substantial gap when examined from theoretical and practical perspectives (Carson, 1998; Fillis and Rentschler, 2005). The interface between entrepreneurship and marketing was found to be a productive focus for research, especially when applied to the marketing behaviour of small to medium enterprises (Hills, Hultman and Miles, 2008). The main thrust of research on the interface was an emphasis on adapting conventional marketing to forms that were appropriate to small and medium-sized enterprises, acknowledging the likely pivotal role of the entrepreneur in any marketing activities (Mort, Weerawardeena and Liesch, 2012).

3.2.1 Entrepreneurship/Marketing Interface

Researchers (i.e. Carter, 2006; Stokes and Wilson, 2010) within the entrepreneurship and marketing field have established that there is an intimate relationship between entrepreneurship and marketing although neither concept has a single, universally agreed-upon definition. Marketing perspectives and constructs are integral to the domain of entrepreneurship (Styles and Seymour, 2006). However, the heterogeneous interpretations of both domains (entrepreneurship and marketing) resulted in it being difficult to come up with a 'standard' definition of entrepreneurial marketing that is widely agreed upon (Kraus *et al.*, 2010). The interface between marketing and entrepreneurship has been of growing interest to both scholars and practitioners. Initial research at the interface emerged from the US, specifically from the work of Gerald Hills

in 1982, who brought about a meeting that resulted in the recognition of the areas of convergence between the two disciplines.

The inherent commonalities between the two disciplines allowed for the acknowledgement and acceptance of the interface and has been well documented, incorporating aspects such as innovation and creativity; opportunistic; flexible; change orientation; process based and market driven (Carson, 1995). Furthermore, both areas share a common underlying philosophy (pertaining to the market and customer), and draw from multidisciplinary theoretical foundations Hills and LaForge (1992). They are both opportunity-driven, value-creating processes and can be applied in a wide variety of contexts (Morris and Lewis, 1995). Other similarities include the propositions that both are environmentally-oriented, boundary spanning, innovative, deal with risk, uncertainties, and are related to the complexities of human behaviour (Morris and Lewis, 1995; Barrett, Balloun and Weinsten, 2000). The presence of these commonalities suggest that research models and processes appropriate to the marketing discipline can possibly be applied and/or adapted to the area of entrepreneurship (and vice versa) (Carson and Coviello, 1996). There are seven dimensions that underlie the entrepreneurial marketing construct (Morris *et al.*, 2002; Schindehutte and Morris, 2010), namely: pro-activeness, calculated risk-taking, innovativeness and opportunity focus, which are related to entrepreneurial orientation (Miller and Friesen, 1983; Covin and Slevin, 1994; Morris and Sexton, 1996; Zahra and Garvis, 2000). The other three dimensions are resource leveraging (from entrepreneurship literature), customer intensity and value creation, which are consistent with the market orientation of the firm (Jaworski and Kohli, 1993; Slater and Narver, 1995; Han, Kim and Srivastava, 1998).

The last decade has not produced an interface paradigm (Carson, 2010), although a huge amount of research has been conducted, that is highly diversified and largely fuelled by the search for understanding and meaning that the issue of an acceptable and universally agreed definition. It can be said that the most significant change in interface research has been the growing dominance of entrepreneurship related constructs and typologies. Collinson and Shaw (2001) indicated that entrepreneurial marketing is a term that is receiving increasing use. The search by interface researchers to establish one definition/theory as the bedrock for interface research, remains improbable because the area is dominated by contemporary entrepreneurial research (Carson, 2010; Hansen and

Eggers, 2010). This prevalence emphasises the lack of research in the under serviced category on small to medium enterprises (Carson, 2010). Furthermore, while Hills *et al.* (2008) has challenged researchers in the field to fully develop entrepreneurial marketing as a marketing thought, Carson (2010) proposed that future interface research be defined by the parameter small business or small to medium enterprises.

3.2.2 Entrepreneurial Marketing as a Process/Strategy

As was mentioned earlier, the entrepreneurship field involves sources of opportunities, the processes of discovery, evaluation and exploitation of opportunities, and the individuals who act on them (Hills *et al.*, 2010). At the centre of the competitive process is the entrepreneur who is similar to the marketer, and the function is to be alert to profitable opportunities ahead of everyone else (Kirkpatrick, 1983). The entrepreneur must be alert so as to anticipate the needs and wants of customers and then find factors of production that can be transformed into a profitable, need-satisfying product and deliver to the consumer ahead of competition (Kirkpatrick, 1983). The process of opportunity exploitation seems to be best aided by entrepreneurial marketing processes which, as described by Miles and Darroch (2006), emphasises opportunity creation and/or discovery, evaluation and exploitation. Entrepreneurial marketing in this context is described as the outcome of entrepreneurial processes and culture, representing an opportunistic perspective wherein the marketer proactively seeks novel ways to provide value for desired customers and to build customer equity (Schindehutte and Morris, 2010).

Entrepreneurial marketing processes can be used strategically to foster entrepreneurship within marketing processes, building and renewing competitive advantage. Firms that adopt entrepreneurial marketing processes are better suited to discover and create, assess, and exploit attractive entrepreneurial opportunities (Miles and Darroch, 2006). The processes augment marketing's customer focus with the understanding that the firm must proactively seek out opportunities to innovatively and efficiently create superior value propositions for current and future customers and for their stakeholders (Miles and Darroch, 2006). The ability to proficiently undertake marketing activities does not ensure that the activities can be classified as creative or entrepreneurial (Mankelow and Merrilees, 2001). Morris *et al.* (2002) proposed entrepreneurial marketing as an

integrative construct, which is a different approach to envisioning the business itself, its relationship with the marketplace and the role of the marketing function within the firm. Entrepreneurial marketing is fundamentally an opportunity-driven and opportunity-seeking way of thinking and acting (Morris *et al.*, 2002). This approach to marketing differs in that it returns the discipline to its roots as a creative pursuit and as a form of art. In turn, the characteristics (e.g. imagination, vision, cleverness and originality) associated with entrepreneurial behaviour lie at the core of this conceptualisation of marketing, and these attributes are applied to the full range of marketing activities, from market research and segmentation to the management of the marketing mix (Morris *et al.*, 2002). More recently, Kraus *et al.* (2010) suggested that the term 'entrepreneurial' might be interpreted as a strategic orientation influencing the organisational function of marketing. In this view, 'entrepreneurship' thus becomes an adjective that describes an approach to marketing; this approach embraces the opportunities of the marketplace in terms of an effective implementation of price, place, promotion, and product tactics (four Ps) by being risk-taking, innovative, and proactive (Kraus *et al.*, 2010). However, Schindehutte and Morris (2010) suggest that there is a shift in the use of the word 'entrepreneurial' as an adjective or referring to the marketing efforts of an entrepreneurial company. The shift is towards treating entrepreneurial marketing as a central concept that integrates the disciplines of marketing and entrepreneurship. This shift represents an alternative approach to marketing under certain conditions.

The term entrepreneurial marketing has been used in various ways. On one hand, the term has also been used to describe the unplanned, non-linear, visionary marketing actions of the entrepreneur (Morris *et al.*, 2002), or as the distinct sub-discipline of entrepreneurial marketing (Hills *et al.*, 2008). Furthermore, a set of alternative theories such as the previously mentioned theory of effectuation (Sarasvathy, 2001; Read *et al.*, 2009) and service dominant logic (SDL) (Vargo and Lusch, 2004) has been proposed. The effectuation construct argues that entrepreneurial expertise leads to a fundamentally different approach to marketing than that found in managers in established firms (Sarasvathy, 2001; Read *et al.*, 2009). In comparison to managers, expert entrepreneurs rely less on market research, draw more on prior experience, focus to a greater degree on affordable losses, think more holistically about the business, are more likely to identify or create new markets, pursue price skimming strategies, and, in the distribution channels,

rely more on direct marketing, co-creation with distribution partners, and focus on narrow segments (Read *et al.*, 2009). Service dominant logic is concept created by Vargo and Lusch (2004) in marketing that suggests that the value proposition of the tangible product is dominated (or driven by) the value accruing to the consumer of intangible services generated through the acquisition, consumption and disposition of the tangible product. Service dominant logic is fundamentally an entrepreneurial marketing process as it proactively engages a firm to be intensively involved with its customers in the innovation and value co-creation processes, reducing risk to the marketer and leveraging the customer as a source of human capital in the exchange of services (Miles and Darroch, 2006; Kasouf, Darroch, Hultman and Miles, 2008). Service dominant logic represents a new and exciting perspective on marketing and significantly redefines value and customer satisfaction as it has impact on opportunity identification and the consequent organisational development to exploit the opportunities (Kasouf *et al.*, 2008), which is a key aspect of the interaction between marketing and entrepreneurship. This perspective implies that service dominant logic has the potential to increase both the success rates of new ventures as well as corporate initiatives. The concept of service dominant logic is similar to the integrative construct proposed by Schindehutte and Morris (2010, p. 77) that defined entrepreneurial marketing as *‘the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation’*.

Atuahene-Gima and Ko (2001) posited that market-oriented firms need to build an entrepreneurship orientation to ensure a proactive and aggressive focus on innovation that meets emerging and unarticulated customer needs. They further stated that an alignment between marketing and entrepreneurship is important for new product performance, timing of market-entry strategy, product quality, and proficiency of market launch and management support for innovation. Schindehutte, Morris and Kuratko (2000) emphasised that marketers tend to focus on the satisfaction of customer needs with the current company offering and operational processes which, in turn, makes the company prisoner to the current market and limits its entrepreneurial intensity. The ideals and values of top management directly affect the nature and scope of a firm’s social responsibility, level of market orientation and environmentally responsible behaviour (Stokes, 2000). Still, Schindehutte *et al.* (2000) posited that the role of the marketer is dependent on his or her status and influence, control over resources, leadership skills,

extent of involvement and creativity. This also means that there is dependence on the company's objectives, strategy, structure, size, type of market served and the type of innovation, at the same time acknowledging the fact that marketing principles and philosophy must play key roles throughout the innovation process either directly or indirectly. Types of innovation, such as product innovation, is a way to differentiate the product from competing products (Alden *et al.*, 1999, Kustin 2004).

Organisations continuously acquire, process and disseminate knowledge about markets, products, technologies and business processes (Slater and Narver, 1995). Their knowledge is based on experience, experimentation and information from customers, suppliers, competitors and other sources. Through complex communication, coordination and conflict resolution processes, these organisations reach a shared interpretation of the information, which enables them to act swiftly and decisively to exploit opportunities and defuse problems. This knowledge acquisition relates to the perception that marketers must continuously maintain a clear and unbiased understanding of the product and service attributes that customers value Slater and Narver (1995). To identify latent needs, they must augment traditional market research with market experiments. Innovative promotional media, channels of distribution and pricing structures will become more important in the fragmenting markets. However, Mankelow and Merrilees (2001) argued that the choice of business to be commenced and the products to be sold is conditioned by a clear understanding. This understanding derives from informal networks and personal and social interaction with their customers who are referred by word of mouth advertising.

Marketing planning is valuable for the effective development of any business; however, practicing managers encounter numerous difficulties with the planning process (Hill, McGowan and Maclaran, 1998). Fillis (2004) suggested that it is possible to develop a more appropriate framework of creative, entrepreneurial marketing, given the inadequacies of current marketing practice. He stated that entrepreneurial thinking has been stifled by the way in which organisations have embraced the formal mechanisms of marketing due to the fact that existing marketing management concepts and frameworks have limited powers of explanation and prescription. It must be realised that business activities are always conducted under conditions of imperfect knowledge and that judgment can be utilised as an alternative marketing planning and strategy tool (Fillis,

2004). Entrepreneurial marketing can be understood as a flexible approach that does not fit only young and small companies but also established and large companies (Kraus *et al.*, 2010; Schulte and Eggers, 2010). Schindehutte and Morris (2010) posited that entrepreneurial marketing can be viewed as an organisational response to threatening, turbulent conditions with strategies that are inherently emergent, flexible and adaptable.

3.2.3 Entrepreneurial Marketing – (Small to Medium Enterprises and New Ventures)

The traditional marketing concept fails to explain the marketing behaviour of small firms due to the gap between theory and practice (Fillis and Rentschler, 2005). The other and most frequent view of entrepreneurial marketing is associated with marketing activities in firms which are small and resource constrained and therefore must rely on creative and often unsophisticated marketing tactics that make heavy use of personal networks (Morris *et al.*, 2002). In other words, the concept of entrepreneurial marketing in this aspect involves studying ways in which marketing concepts and principles can be made more relevant in entrepreneurial (Small Business and New Ventures) contexts. Fundamentally, a firm that has a market orientation emphasises competitiveness and profits based on identifying customer needs, wants and aspirations, and on delivering compatible offerings that are competitively better than those offered by rival firms (Blankson *et al.*, 2006). Day, Reynolds and Lancaster (2006) argue that because entrepreneurs are actors in the market, and actively seek information about customers, products, costs, etc., they are involved in the marketing function. In line with that logic, more entrepreneurial companies will use marketing techniques and employ and benefit from them more consistently than non-entrepreneurial firms. The fate of a small business is often determined by its ability to be both competent entrepreneurs and marketers (Hills, 1995). It could be said that there is a distinguishable set of marketing competencies that exist alone for the entrepreneur or entrepreneurial SME; such as a unique combination of judgment, experience, knowledge and communication (Carson, McGowan and Hill, 1994; Carson *et al.*, 1995; Hill, 2001). The practice of marketing in entrepreneurial SME, is often more flexible, intuitive and informal than that set out in standard marketing and strategy texts (Carson *et al.*, 1994; Brown, 2001). Siu and Kirby (1998) posited that the marketing characteristics of small firms do not necessarily progress through the stages of marketing development. This idea suggested that the marketing behaviour of small firms

relates to the motivation, belief, attitude and objectives of the owner/manager. Successful entrepreneurs undertake marketing in ways which seem to be at odds with conventional models (Stokes, 2000; Mort *et al.*, 2012).

Marketing is different for small firms/businesses compared to larger organisations: for small firms/businesses, it is more intuitive, more creative, more about networking and more about operating under extreme time pressure and all without the comfort of being able to make decisions in an ordered and linear fashion (Day, 2000). The types of opportunities sought are different, as is their appraisal. Thus encouraging small firms to behave both intuitively and flexibly is not tantamount to condoning sloppy and careless thinking, nor equally is encouraging small firms to behave intuitively, an excuse to impose rigid and conservative business school models (Day, 2000). Stokes (2000) pointed out that some entrepreneurs rely more on formalised research and procedures because of their particular backgrounds and experiences. In practice, marketing decision-making in small firms has been described as essentially simplistic and haphazard (i.e. it is immediate and reactive to circumstances), undisciplined and spontaneous (i.e. predominantly intuitive), unstructured and short term (Carson, 1998; Gilmore, Carson and Grant, 2001). Entrepreneurs tend to focus first on product and service innovations and only secondarily on customer needs and to rely on interactive marketing methods communicated largely through word of mouth rather than a more controllable and integrated marketing mix (Stokes, 2000). Hultman and Shaw (2003) commented that small service firms are more flexible in the marketing approaches that they adopt. They reveal that such firms are transactional and relation-orientated in their marketing activities and that for growing firms, marketing activities are used to create short-term transactions and form relations with key stakeholders.

Marketing plays a special role in the success of small firms and is not a mini-version of marketing at bigger, established enterprises (Romano and Ratnatunga, 1995; Bjerke and Hultman, 2002). For a small firm, a strict separation between various business functions such as finance and marketing is problematic primarily because a small firm consists of a few persons, maybe only one single owner-manager. However, almost all members of a small firm often know bits of every business function, including marketing (Bjerke and Hultman, 2002). Day *et al.* (2006) describe entrepreneurs as actors in the market; they actively seek information about customers, products, costs and thus are involved in the

marketing function. Logically, more entrepreneurial companies will employ marketing techniques and benefit from them more consistently than less entrepreneurial firms (Day *et al.*, 2006). Day-to-day marketing activity is critical to entrepreneurial success, while marketing success requires commitment to stability and careful planning, particularly for small firms in markets dominated by larger incumbents (Beverland and Lockshin, 2004). A study conducted by Packham, Miller, Thomas and Brooksbank (2005) found that marketing for small firms was an informal process and more emphasis was placed on getting the right people to build and maintain strong relationships with customers. The relationship to customers has been suggested as playing a vital role in entrepreneurial marketing (Jones and Rowley, 2007). This implies the use of networking that has been suggested as a tool or approach used for small to medium enterprises for carrying out meaningful marketing (Day, 2000; Gilmore *et al.*, 2001; Morris *et al.*, 2002). Marketing by networking can be enhanced through experience, such as the increasing business contacts. This increase allows the networking to become more strategic, which in turn allows the decision making process to become more rigorous (Gilmore *et al.*, 2001). This networking development can be attributed to increased experiential knowledge in that, having made certain decisions before in the past, the manager will have learned from previous mistakes and will approach the task in a more structured way (Gilmore *et al.*, 2001). In fact, it would be difficult to establish a new business without making use of existing network connections to promote the new company's products and services (Klyver, 2007; Phua and Jones, 2010). For example, small firms operate with a strong focus on personal relationships with customers, suppliers, employees, and other stakeholders (Carson *et al.*, 1995; McGowan and Durkin, 2002). In the small firm, everyday management is through managing personal relationships (McGowan and Durkin, 2002). Together, these personal relationships form a personal contact network (Carson *et al.*, 1995) and the form of networking it entails displays all the characteristics of relationship marketing (Harrigan, Ramsey and Ibbotson, 2008)

Although small businesses do little planning in general, those firms that fail engage in less business planning than successful firms (Rogoff *et al.*, 2004). McCartan-Quinn and Carson (2003) posited that there was widespread acceptance of the notion that small firms typically possess certain characteristics, which serve to differentiate them from larger organisations. These include inherent weaknesses with respect to capitalisation and marketing awareness and practice. The unique characteristics of small firms resulted in

marketing being performed differently from that of larger firms (Carson and Gilmore, 2000). In turn, this implies that small firms' practices are essentially different from the conventional descriptions and practices espoused in the textbooks, which are derived from and thus cater mostly to larger firms. Their marketing in practice is often more flexible, intuitive and informal than that set out in standard marketing and strategy texts (Carson *et al.*, 1994; Brown, 2001). Marketing decision making in small firms is simplistic and haphazard (i.e. it is immediate and reactive to circumstances), undisciplined and spontaneous (i.e. predominantly intuitive), unstructured and short term (Carson, 1998). However, the entrepreneurship/marketing interface is not against formal planning, should that be the appropriate solution, because this is not planning just for the sake of it, recommended simply because it is the only technique with which we are comfortable (Day, 2000).

The interface between marketing and entrepreneurship has brought attention to the unique characteristics of new ventures that essentially limits the relevance of traditional marketing theories. In general, new ventures are distinctive in comparison to more established firms along four dimensions: newness, smallness, uncertainty and turbulence, suggesting the need for an alternative approach to marketing incorporating these dimensions (Gruber, 2004). Marketing is critical for new ventures to become established and survive; furthermore, Bjerke and Hultman (2002) indicated that marketing is closely related to growing small firms. New ventures face several specific marketing challenges that cannot be dealt with by conventional marketing practices requiring them to adopt non-conventional, entrepreneurial marketing practices (Mort *et al.*, 2012). Marketing is central to the creation of new ventures, particularly during the opportunity recognition or creation stage of the entrepreneurial process (Read *et al.*, 2009). Brush (1992) stated that specific information about markets, customers, competitors and general knowledge of population, socio-cultural and demographic trends are suggested as important to new venture success. He found that new ventures routinely engaged in scanning for market information related to customer markets and competitors using a variety of personal and impersonal sources. Gruber (2004) stated that new ventures enter markets in ways largely prescribed by specific industry norms and develop their customer-base mostly through personal contacts. Marketing is primitive at this stage and a management focus on product quality and functionality, price and delivery, and word of mouth plays a key role in a new firm's communication activities (Gruber, 2004). Zinger, LeBrasseur and Zanibbi

(2001) found that marketing research and implementation are the key success factors for new ventures.

In contrast, Bhide (1994) posited that a comprehensive analytical approach to planning does not suit most start-ups. Entrepreneurs typically lack the time and the money to interview a representative cross section of potential customers, let alone to analyse substitutes, reconstruct competitors cost structures, or project alternative technological scenarios (Bhide, 1994). In fact, Bhide (1994) suggested that too much analysis can be harmful: by the time the opportunity is fully investigated, it may no longer exist. Instead entrepreneurs should play with and explore ideas, letting their strategies evolve through a seamless process of guesswork, analysis and action. This is similar to the idea relating to the theory of effectuation that Sarasvathy (2001), previously mentioned, in which the entrepreneur is viewed as an effectuator: an imaginative actor who seizes opportunities and exploits any/all means (shaped and created through the very process of economic decision making and not established a priori) at hand to accomplish what they want to achieve. Sarasvathy (2004) posits that this is because entrepreneurship is about ‘making it happen’, implying that there is the existence of a maker and the importance of his or her role in ‘making it happen’. The logic of effectuation rests on non-predictive control: that is, to the extent that people can control the future, they do not need to predict it (Read *et al.*, 2009). This allows for a more efficient way of exploiting opportunities. Entrepreneurial marketing has been found to contribute to the achievement of superior market performance in small firms through purposeful strategy based on an effectuation approach that substantially departs from conventionally accepted marketing undertaken by established firms Mort *et al.* (2012), which observing that entrepreneurial marketing actions are not unplanned but do agree they are non-linear, characteristic of effectuation (Sarasvathy, 2001). In line with this argument, entrepreneurial marketing can be utilised in this manner as a particular type of marketing that is innovative, risky, proactive, focuses on opportunities and can be performed without resources currently controlled (Kraus *et al.*, 2010), and product/market innovation represents the core marketing responsibility and key means to sustainable advantage (Schindehutte and Morris, 2010). This, in turn makes entrepreneurial marketing especially attractive to small and new ventures that face the liabilities of newness, smallness, and resource scarcity.

Small to medium-sized enterprises have difficulty using conventional marketing because

of the limitations of resources which are inherent to all small to medium-sized enterprises and also because small to medium-sized enterprises owner/managers behave and think differently from conventional marketing decision-making practices in large companies (Gilmore *et al.*, 2001). It has been suggested that entrepreneurs lack a strategic framework enumerating the factors under which a marketing strategy could lead to competitive advantages within a product or market (Menon and Menon, 1997). At the same time, Teal, Upton and Seaman (2003) emphasised that an effective strategy allows small businesses to gain sales by providing products and or services that offer benefits to customers that are superior to those offered by competitors. Marketing is also considered to be of utmost importance for the success of new ventures (Bjerke and Hultman, 2002; Gruber, 2004), because new ventures face substantial liabilities of newness, the liabilities lead to higher failure rates of new firms compared to older ones. Therefore, developing a market orientation is an important task for new ventures. Although there has been research within the field of entrepreneurship and marketing, the review of the literature shows that insufficient efforts have been made to discuss this relationship within the context of new entrepreneurs, especially at the empirical level. The literature also indicates that it is possible to develop different and more appropriate marketing practices which play to entrepreneurial strengths (Stokes, 2000; Fillis, 2004). Using a dataset of high-performing small to medium enterprises, Mort *et al.* (2012) identify a set of four core entrepreneurial marketing strategies, namely: opportunity creation, customer intimacy focused innovative products, resource enhancement and legitimacy, leading to accelerated internationalisation. In their research, Mort *et al.* (2012) also emphasised the reliance on effectuation rather than causation in aspects of the entrepreneurs' approach to decision making and entrepreneurial marketing's link to superior performance in newly established firms.

Walsh and Lipinski (2009) found that marketing is not as well developed or influential in SMEs as it is in large firms; marketing's scope or extent of responsibility is more limited in comparison. There are two factors identified in the study – type of market (consumer) and firm orientation (hierarchical) – which facilitate marketing's influence within a firm. However, the results from the Walsh and Lipinski (2009) study presents troubling practical implications because marketing resources are one driver of competitive advantage. Although the studied firms were using the marketing function, marketing was not considered as a valuable resource. Blankson *et al.* (2006) confirmed that small

businesses exhibit a distinct marketing style with a strong emphasis on customer care, concern for employee welfare, reliance on intuition and awareness of the environment rather than textbook marketing. This distinct style fits with company size, the owner-manager's personality, available resources and the nature of the operating environment (Blankson and Omar, 2002; Stokes, 2002). Evidence from the study by Blankson *et al.* (2006) also indicated that this distinct marketing style positively affects business performance (i.e. owner-managers involved in the study claimed that they were content with their margins and market share), despite the absence of a formal approach. Similarly, Vehees and Meulenbergh (2004) found evidence of the positive impact of market orientation on firm performance and concluded that small businesses' market intelligence and homogeneous offerings were positively related to performance and the selection of attractive product assortment. Numerous other studies (e.g. Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010) have also shown that market orientation has a positive impact on firm performance or success. Market orientation in the conduct of business is a focus on satisfying the needs and wants of customers; this approach is based on the premise that greater customer satisfaction enhances the profits of the firm (Carter, 2006) and has been seen as a prerequisite to good performance and business growth (Tzokas *et al.*, 2001)

In a study by Gungaphul and Boolaky (2009) it was found that entrepreneurs use marketing to a large extent although some apply it unknowingly. The entrepreneurs in that study tended to emphasise product development rather than improving product offering based on customer needs and wants. The results from Gungaphul and Boolaky (2009) also reveal that some of the entrepreneurs practice marketing in mostly unconventional ways, although there is evidence of convergence with traditional marketing in many respects, and indicate that entrepreneurs view marketing as an important function in achieving their business goals (Gungaphul and Boolaky, 2009). Similar results were found in the study by Phua and Jones (2010) which confirmed that entrepreneurs do utilise marketing tools in the management of their businesses, although the marketing strategy is not formalised with the level of sophistication found in large organisations or traditional marketing textbooks. Phua and Jones (2010) found that entrepreneurs had a intuitive yet sophisticated grasp (Stokes and Blackburn, 1999) of the key elements associated with a formal approach to market planning. For example, in terms of one of the key elements in marketing – customer targets – the entrepreneurs had

very clear ideas about the different segments and how they might target those segments. However, that was not necessarily the result of formal analysis nor was the information recorded in a structured marketing plan (Phua and Jones, 2010). At the same time, it was found that the entrepreneurs do use informal marketing practices such as networking (Phua and Jones, 2010).

Marketing for the small firm should be relevant and appropriate both with respect to the problems that it seeks to address and the relative position of the firm in its life cycle (Day, 2000). Entrepreneurship is one path for creating superior value in the marketplace by leveraging innovation to create products, processes, and strategies that better satisfy customer needs (Covin and Miles, 1999). In order to establish and strengthen its customer franchise and renew its advantageous market position, a firm must constantly seek out opportunities to create additional value for its customers through innovation of its products, processes, strategies, or domain (Covin and Miles, 1999; Hunt, 2000; Miles, Paul and Wilhite, 2003). It has been implicitly suggested that the role of entrepreneurial marketing is essentially superior value creation, that operates across multiple levels: there is vigilance in seeking novel sources of value throughout the firm; value-based strategies are based around customer intimacy and there is continuous exploration for novel sources of value in the marketing mix (Morris *et al.*, 2002; Gruber, 2004). Wickham (2006) posited that an entrepreneur is someone who has a good business idea and can turn that idea into reality. To be successful, an entrepreneur must not only identify an opportunity but also understand it in great depth; they must be able to spot the gap in the market and recognise what new product or service will fill that gap (Wickham, 2006). A distinguishable set of marketing competencies that exist alone for the entrepreneur or entrepreneurial SME; such as a unique combination of judgment, experience, knowledge and communication (Carson *et al.*, 1994; Carson *et al.*, 1995; Hill, 2001) will be advantageous in providing the ability to spot and develop the above-mentioned, market opportunities.

Hills and Hultman (2006) reviewed several empirical studies conducted in the field of entrepreneurial marketing and identified several specific characteristics of entrepreneurial marketing, such as:

- entrepreneur/owner-manager being central to marketing,
- decisions being linked to personal goals and long-time performance,

- the exploitation of smaller market niches with a customised range of products and services,
- marginal market power,
- marketing penetrating all levels and functional areas of the firm,
- marketing based on personal reputation, trust and credibility,
- heavy focus on sales and promotion,
- lack of formal planning and strategy, reliance on intuition and experience of owner, individual-related value creation,
- smallness and lack of marketing resources, no division of marketing work,
- formal market research is rare, rather making use of personal contacts and networks,
- interactive and innovative product/venture development,
- inherent focus on opportunity recognition, proactiveness and calculated risk,
- flexibility and fast reactions to customer preference shifts,
- inherent risk of market exit, and
- a role for passion, enthusiasm and commitment, as well as for leading instead of following customers.

The fate of the small business is often determined by their creator's ability to be both competent entrepreneurs and marketers (Hills, 1995). They seek and learn from diverse informational sources both externally from the market (e.g. customers, advisers, etc.) and internally (i.e. production processes, colleagues, etc.) (Acs and Varga, 2005). Information is used to manage uncertainty; having information means that uncertainty is reduced. This, in turn, reduces the risk of the venture and improves the prospects of its success. Hisrich (1992) emphasised the importance of marketing in entrepreneurship based on three main factors. The first factor is that the marketing function must be used appropriately by the entrepreneur to launch and develop the new venture successfully. The second factor is that many entrepreneurs have a limited understanding of marketing. The third factor is that entrepreneurs are often poor planners and managers, frequently underestimating the time and effort needed to accomplish a marketing task and overestimating the resulting sales figures. Morris and Lewis (1995) further inferred that these factors are mostly learned and not inherited and that environments that are conducive to creativity, independence, autonomy, achievement, self-responsibility and assumption of calculated risks are likely to induce entrepreneurial behaviour. Such situations create a greater need in entrepreneurs for marketing knowledge.

3.3 Summary

Competition among firms is self-escalating and co-evolving, and firm performance depends on matching or exceeding the innovative moves of rivals, whose performance then suffers, motivating these rivals to engage in their own innovative moves (Schindehutte and Morris, 2010). In other words, marketers live in a turbulent and uncertain world characterised by ever-faster changes in markets, technologies, competitors, society and people's behaviour, all of which require companies to run as fast as they can just to stay standing in the same place. In free and open markets, a firm will enjoy an advantageous market position, or competitive advantage, only if its customers perceive that the firm offers the highest value proposition (Miles and Darroch, 2006). Therefore, the reason that customers choose to purchase from one firm over any other firm rests on that firm's ability to create superior value propositions for its customers through product differentiation, cost leadership, quick response, or some combination of these bases for competitive advantage (Miles and Darroch, 2006). Keefe (2004) suggests that creating value-rich, mutually beneficial exchange relationships between a firm and its stakeholders is at the core of modern marketing. Miles (2005) pointed out that the ability to effectively and efficiently harness entrepreneurship to create superior value offerings for customers determines which firms succeed in the marketplace. If a firm has a superior market position, or competitive advantage, it will generate superior financial returns over its competitors (Hunt, 2000; Hill and Jones, 2004).

Even though there has been a considerable amount of research conducted in the area of the entrepreneurship and marketing interface, the domain is missing a highly influential but under serviced category which is that of small business/small to medium enterprises (Carson, 2010) and which are not well served by the theories, processes and tools of mainstream marketing (Morris *et al.*, 2002). Although dependent on the definition of what can be categorised as small business or small to medium enterprises, anything from eighty to ninety percent of all enterprises in a developed/developing economy are characteristically small, especially so in a marketing sense (i.e. with regards to marketing activities) in terms of limited resources, limited expertise and limited impact within their respective market sector (Carson, 1990; Carson, 2010). With consideration for the failure of the traditional marketing concept to explain the marketing behaviour of small firms

(Fillis and Rentschler, 2005) and the importance of small business and small to medium enterprises to the world wide economy, it is essential that research on the entrepreneurship and marketing interface should address this under serviced category. In fact, it has been suggested that current researchers on the interface have been 'blinded' by the 'widening' of the entrepreneurial dominance and that the true interface between entrepreneurship and marketing has been lost (Carson, 2010). Furthermore, little research has been done to assess the link between entrepreneurial marketing and performance outcomes that have been specifically identified by Morris *et al.* (2002) as a key direction in research.

Marketing is considered to be the key to the success of new ventures (Bjerke and Hultman, 2002; Gruber, 2004), because new ventures face substantial liabilities of newness. These liabilities lead to higher failure rates of new firms compared to older ones. Marketing competency represents the ability to see past the firms' offerings and their features, to be able to see how they satisfy the customer's needs and why the customer finds them attractive. In other words, with the help of this skill, the entrepreneur will be able to gather the valuable information needed to answer the questions they have, thereby reducing the uncertainty involved in creating a business venture. At the same time, it will also allow for various practical benefits, such as reducing unnecessary costs and the risks of venture failures. Previous research (i.e. Carson, 1998; Morris *et al.*, 2002; Stokes, 2000; Day *et al.*, 2006; Phua and Jones, 2010) has already shown that small business and small to medium enterprises use marketing in their business management; however, further research is necessary in order to further understand the style or type of marketing that is useful to them. This knowledge can be used to improve their marketing efficiency and in turn their mortality rate. Marketing activities influence intermediate outcomes (customer thoughts, feelings, knowledge, and ultimately, behaviour), which in turn influence the financial performance of the firm (O'Sullivan and Abela, 2007). An effective strategy allows new businesses to gain sales by providing products and/or services that offer benefits to customers superior to those of their competitors (Phua and Jones, 2010).

CHAPTER 4: CONCEPTUAL FRAMEWORK

4.0 Introduction

The previous chapters have presented a review of the current state of knowledge on the fields of entrepreneurship, marketing and more importantly the entrepreneurship/marketing interface. The entrepreneurship/marketing interface is the area on which this research is based. Entrepreneurship and marketing are intimately related (Carter, 2006; Stokes and Wilson, 2010), and marketing is critical to the success of new entrepreneurial ventures, but this is a topic that has received very little attention from scholars of either marketing or entrepreneurship (Phua and Jones, 2010). It has been well established that marketing activities are an influence on intermediate outcomes (customer thoughts, feelings, knowledge, and ultimately, behaviour), which in turn influence the financial performance of the firm (Hills and LaForge; Morris *et al.*, 2002; O'Sullivan and Abela, 2007; Hills *et al.*, 2010). The combination of activities can be thought of as an effective strategy that can allow new businesses to gain sales by providing products and/or services that offer benefits, superior to those of their competitors, to customers (Phua and Jones, 2010). The entrepreneurship field involves sources of opportunities, the processes of discovery, evaluation and exploitation of opportunities and the individuals who act on them (Hills *et al.*, 2010). Therefore, there is a need to understand how entrepreneurial marketing works in practice because this knowledge has the potential to improve the overall success rates of new entrepreneurial ventures, and, in turn, to help the entrepreneurs to achieve their desired goals and to reduce the rate of new venture failures. In line with these benefits, the emphasis on how marketing can be used effectively by entrepreneurs to achieve their desired rewards and goals with their ventures has been reiterated.

In this chapter, a consolidation of the key points will be presented. In doing so, a knowledge gap will be revealed. The first section presents the gap between theory and practice of marketing is presented. Subsequently there is a detailed description of the portion of the knowledge gap that this research attempts to fill. The last section is on the conceptual framework and research model used for this research.

4.1 Theory vs Practice

In the scientific approach, researchers often use a literature review to develop a conceptual framework that describes both the key issues and concepts they are interested in and the relationships they expect to find between them (Blaikie, 2000). The focus of this thesis is on the *marketing strategies of entrepreneurs*. This research seeks to explore, in both theoretical and practical terms, the various aspects of entrepreneurial marketing strategies.

McKenzie, Wright, Ball and Baron (2002) found evidence to indicate that marketing journals are neither read nor recognised by the great majority of the sample of practitioners on which their research was based on. Pure academics may regard a decent distance from practitioners to be a positive asset; applied academics, who regard practitioners as their primary customers, may be more disappointed at the news (Tapp, 2004). The lack of practitioner interest directly implies the existence of a sizeable gap between the worldviews of academics and practitioners. The questions resulting from the acknowledgement of that fact are manifold (Tapp, 2004, p. 579):

'Does this gap matter? What is the relationship between the nature of marketing as an academic discipline and our attitude to practitioners? Does the fact that we study marketing mean we should move closer to practising marketers than we currently do? Perhaps academic marketers need to separate into "pure" and "applied" streams.'

It can be said that academics and other writers in the subject area can choose to strive to meet the demands of publishing in academically rated journals, which will be beneficial to the authors' careers, or they can publish their works in outlets that have a higher probability of being accessed by practitioners. In this thesis, the author argues that it is essential to contribute to both streams of knowledge production. As has been aptly described by Ardichvii *et al.* (2003), a theory is critical if we want to successfully bridge research and practice. At the same time, it is important to remember that the application of theories can be useful to practitioners, who should be benefiting from the actual knowledge produced through academic research. Although considerable progress has been made, there has been limited attention to conceptual and theoretical development of entrepreneurship and marketing (Hills *et al.*, 2010); there is an opportunity to develop

typologies and unique concepts and to advance theoretical grounding. The aim of this study will be to contribute to both modes of knowledge dissemination. The results will be published in academically rated journals. At the same time; it will be used to contribute to the current teaching model used for *Entrepreneurship* training programmes, with the intention of enhancing the survival rates of entrepreneurial ventures.

4.2 The Knowledge Gap

The main focus of this research will be on the areas of *Entrepreneurship* and *Marketing*. The research question is, “Does *Marketing Strategy* play a role within *Entrepreneurial Success*?” There is a clear gap within the current literature on the topic of the role that *marketing strategies* have on *entrepreneurial start-ups*. In the articles that were reviewed, more than half of the studies were literature reviews and conceptual studies suggesting that there is a lack of empirical studies, which would be beneficial to provide further insights into the topic of *Entrepreneurship* and *Marketing*. The interface between marketing and entrepreneurship has encouraged the notion of ‘entrepreneurial marketing’ to be developed as an alternative to ‘traditional’ or ‘classic’ marketing (Stokes and Wilson, 2010). In order to understand the mechanics behind the practice of entrepreneurial marketing, it is essential to pursue more empirical studies (Kraus *et al.*, 2010). Sandberg and Hofer (1987) indicated that most entrepreneurship researchers have been more interested in the decision to start a business than in the venture’s subsequent performance. They also stated that most of the research on venture performance worked under the (sometimes implicit) assumption that such performance was a consequence of the characteristics of the entrepreneur.

Hill and Wright (2001) added that there are many issues for the conduct of research in SMEs. In the internet-driven world of the twenty-first century, with new *dot.com* entrepreneurs and millionaire businessmen and women being created, it is imperative for marketing researchers to carefully examine the different paradigms for research on SMEs. As the importance of SMEs becomes more established, the challenge to the wider research community is to seek to develop new ways to understand these entities. Hill and Wright (2001) suggested that there should be no attempt to force existing research models to fit into the SME circumstance. There have been cases of superficial analysis, which has often led to the implicit and incorrect conclusion that new businesses and

smaller enterprises require a simplified, rather than different, form of marketing (Hills *et al.*, 2010). Researchers have generally challenged the dominant marketing paradigm and others have reasoned that special conditions in new ventures and SMEs are so different from the conditions in mature, large firms that the normative marketing management prescriptions may not be applicable (Hills *et al.*, 2010).

Due to the gap between theory and practice, it has even been suggested that marketing theories are not applicable to real marketing practices, not just for SMEs but also for the large firms, from which these theories were first derived (Fillis and Rentschler, 2005; Phua and Jones, 2010). It has been found that research relevant to marketing in entrepreneurial firm is mainly found in work related to the marketing/entrepreneurship interface and in marketing in small firms. However, even with the considerable amount of research conducted in the area of the entrepreneurship and marketing interface, the domain is missing a highly influential but under serviced category which is that of small business/small to medium enterprises (Carson, 2010). Furthermore, firms in this category are deemed not well served by the theories, processes and tools of mainstream marketing (Morris *et al.*, 2002), that had been derived from research related to large firms.

In a turbulent and uncertain world characterised by ever-faster changes in markets, technologies, competitors, society and people's behaviour, entrepreneurs as well as marketers are required to run as fast as they can just to stay standing in the same place (Schindehutte and Morris, 2010). Therefore, marketers have to craft strategies that get them ahead with strategies that are inherently emergent, flexible and adaptable (Schindehutte and Morris, 2010) instead of strategies that only allow them to stay at the same place. This line of argument in effect calls for more improvements to the marketing strategy processes (i.e. Kohli and Jaworski, 1990; Menon *et al.*, 1996; Varadarajan, 1999) in order to make them more appropriate to the situations in which they are used. In essence, marketing strategies that can be appropriate at big companies may not be appropriate for SMEs / entrepreneurial new ventures (Phua and Jones, 2010). Marketing is of special interest to small firms, playing a special role in the success of small firms, and is not a mini-version of marketing at bigger established enterprises (Romano and Ratnatunga, 1995; Bjerke and Hultman, 2002). Therefore, this research seeks to investigate how *marketing* can be a key entrepreneurial activity. Fundamentally, entrepreneurial marketing does not need to be second-rate or inferior to the classical 4P

approach. Rather, it is marketing which is more appropriate in entrepreneurial contexts (Stokes, 2000; Kraus, Fink, Roessl and Jensen, 2007). Kraus *et al.* (2010) posited that marketing in new and small ventures faces some challenges that may be overcome with an entrepreneurial approach to marketing. Furthermore, there is something to be learnt from the truly entrepreneurial small firm, a behavioural difference that is both worth capturing and capable of exploitation (Bolton, 1971; Day, 2000). In order to investigate these encouraging claims, new innovative methodologies must be developed or existing approaches and models must be substantially tailored for the unique research of SME context.

The contributions to knowledge for this research can be said to be *two-fold*. In the aspect of *Entrepreneurship*, this research seeks to identify the role of *Marketing Strategies* in *Entrepreneurial Start-ups*. The second aspect of the contribution to knowledge will be toward the area of *Marketing*, in which this study attempts to add to the theoretical understanding of the different role that *Marketing* plays in the *Entrepreneurial Start-up*, as compared to current established *Marketing Frameworks* (small firms may use the frameworks/tools in different ways). Collinson and Shaw (2001) stated that the key areas within research that has been carried out include entrepreneurial management, networking and the resource and skills implications of adopting an entrepreneurial approach to marketing activities. According to them, early research in this area focused on developing the overlap and investigating how the two areas (*entrepreneurship* and *marketing*) benefit each other. This has since been extended to cover other areas. The current research in the area of entrepreneurship and marketing utilises mostly qualitative approaches to understand how entrepreneurial marketing is being adapted the workplace Collinson and Shaw (2001) and how the market-oriented behaviours in new entrepreneurial ventures have been predominantly qualitative in nature (Gruber, 2004). However both qualitative and quantitative research is helpful or perhaps even necessary for gaining insight into entrepreneurship (Davidsson, 2004) or any emerging field, such as the entrepreneurship and marketing interface. Therefore, in this respect, the author feels that a quantitative study will be greatly beneficial in terms of enhancing the current knowledge on this area.

The key objectives of this research are as follows:

- To produce empirical research lacking in current research

- To produce quantitative research as opposed to qualitative research dominant in the current field
- To understand the marketing view of entrepreneurs (especially entrepreneurs in start-ups)
- To identify the marketing activities practiced by start-ups
- To compare and assess whether there is similarities between the entrepreneurs' marketing to that of a formal marketing strategy
- To compare and assess whether the views of marketing has an impact on the usage of marketing activities
- To assess whether marketing activities have an impact on business performance
- To assess whether market conditions have an impact on the usage of marketing
- To get opinions of experts on the findings of this research

4.3 Conceptual Framework

There is no agreement among entrepreneurship researchers on major concepts used within the domain of entrepreneurial research (Ardichvii *et al.*, 2003). Davidsson (2004, p. 4) concluded that the different entrepreneurship definitions actually address two relatively distinct social realities. The first is the phenomenon that some people, rather than working for somebody else, strike out on their own and become self-employed or team owner-managers of an independent business; when the concept of *entrepreneurship* is used for this social reality, topics like self-employment, small business management, stages-of-development models, and family business issues become aspects of entrepreneurship. In short, entrepreneurship is anything that concerns independently owned (and often small) firms and their owner-managers. The other social reality is that the development and renewal of any society, economy or organisation requires micro-level actors who have the initiative and persistence to make change happen. When the entrepreneurship concept is used as a label for this social reality, quite a different set of topics – such as innovation (Schumpeter, 1934), corporate venturing and organisational rejuvenation (Sharma and Chrisman, 1999), and change-agency outside of the for-profit sector – become integral. The start-up of new independent ventures, it would seem, is the only natural candidate for inclusion under both views (Davidsson, 2004), and, according to Austrian economics, a useful way to describe entrepreneurship is that entrepreneurship consists of behaviours that drive the market process (Kirzner,

1997).

Although every entrepreneurial venture is different, this research argues that it is beneficial and useful to consider the process of entrepreneurship in a generalised way, because it provides us with a framework for understanding how entrepreneurship creates new wealth in several terms and for making sense of the details in particular ventures. At the same time, it will also provide us with a guide for decision making when planning new ventures (Wickham, 2006). For a field of social science to be useful, it must have a conceptual framework that explains and predicts a set of empirical phenomena not explained or predicted by conceptual frameworks already in existence in other fields (Shane and Venkataraman, 2000). Therefore, it is argued that there should be an extension to the framework depicting entrepreneurial process (Wickham, 2006, p. 224) shown in figure 4.1 (shown previously in Figure 2.7), with regard to the contingency: *Opportunity*.

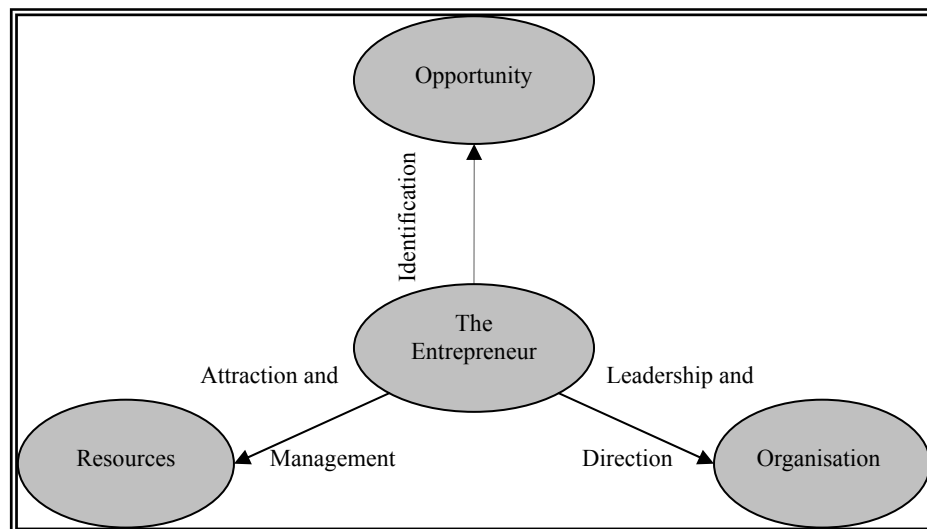


Figure 4.1: The Entrepreneurial Process: Opportunity, Resources & Organisation (Wickham, 2006, p. 224)

4.3.1 Research Model

A research model (Figure 4.2, previously shown in Figure 1.1) has been created to represent the hypothetical construct of this research. This model has been developed through hypothesising the possible links and relationships between the dependent and independent variables that are used in this study. This section will present the research

model used in this study in a structured and sequential way.

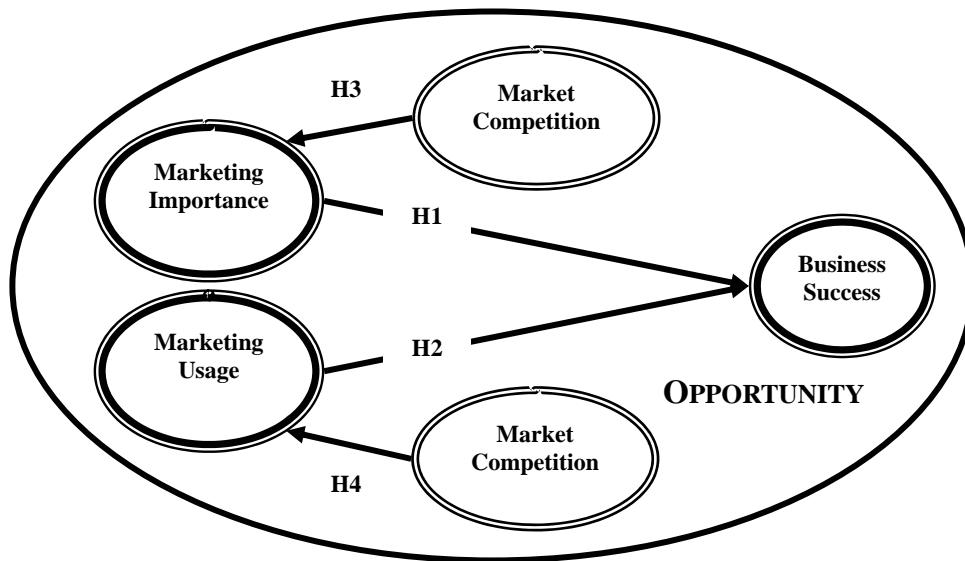


Figure 4.2: The Research Model

4.3.2 Opportunity – The basis of the model

This focus on opportunity is important, opportunity recognition and/or development has only been the subject of serious academic research in recent years (Stevenson and Jarillo, 1990; Shane, 2003). It is undeniable that opportunity recognition and/or development holds a prominent position in entrepreneurship theory and research and is increasingly viewed as closely related to the study of entrepreneurship because most basic definitions of entrepreneurship allude to opportunity recognition and/or development as central to the phenomenon (Rae, 2007; Hills *et al.*, 2010). Entrepreneurs are motivated by the pursuit of opportunity. Identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur (Stevenson *et al.*, 1985). The concept of opportunity has been depicted as a key to understanding entrepreneurship and economic change has been noted by numerous researchers (i.e. Fiet, 1996; Shane and Venkataraman, 2000; Gartner *et al.*, 2003; Sanz-Velasco, 2006). In a study by Sanz-Velasco (2006) on opportunity development, the author emphasises the difference between the terms and/or concepts of *opportunity discovery* and *opportunity development*. Ardichvili *et al.* (2003) stated that careful investigation of and sensitivity to market needs and as well as an ability to spot suboptimal deployment of resources may help an entrepreneur begin to develop an

opportunity (which may or may not result in the formation of a business). The creation of successful businesses follows a successful opportunity development process, which includes the recognition of an opportunity, its evaluation, and development per se (Ardichvili *et al.*, 2003).

As stated by Stevenson and Jarillo (1990), the discovery, exploration and exploitation of opportunities are fundamentally important processes in entrepreneurial activity. The discovery of opportunity does not implicitly mean that the opportunity will be developed or that the development will be efficient. There is an obvious need for people to become more skilled in selecting, assessing and working on opportunities because opportunity discovery (identification) and/or development is an essential step in the early stages of formulating and launching a new venture and may also occur to greater or lesser degree throughout the life of the enterprise and the life of the entrepreneur (Hills *et al.*, 2010). Entrepreneurship occurs when an individual acts to take advantage of a profit opportunity that presents itself in the economy (Holdcombe, 2003). The vital skills according to Rae (2007) lies in recognising the future opportunities with the greatest long-term potential which the entrepreneur can gather the resources to exploit. The entrepreneur then plays the central role of managing a good fit between resources and opportunity in order to achieve their desired results (Jones and Holt, 2008).

As mentioned in the previous section, this thesis argues that there should be an extension to the framework (figure 4.1) by Wickham in which he conceptualised the entrepreneurial process with *four interacting contingencies*. Therefore the research model for this thesis began with the identification of the fact that there is a need for entrepreneurs to be more skilled in the exploitation of opportunities to their best advantage. In order for the entrepreneurs to be more skilful in the exploitation of opportunities, the author argues that marketing activities should be used for this purpose. Marketing is critical for new ventures to become established and survive; therefore, Bjerke and Hultman (2002) indicated that marketing is closely related to growing small firms. New ventures face several specific marketing challenges that cannot be dealt with by conventional marketing practices requiring them to adopt non-conventional, entrepreneurial marketing practices (Mort *et al.*, 2012). Marketing is central to the creation of new ventures, particularly during the opportunity recognition or creation stage of the entrepreneurial process (Read *et al.*, 2009). The efficient use of marketing activities can allow for the

creation of competitive advantage as well as generating sources of revenue which in turn allows for the survival and success of the venture. The author believes that entrepreneurs do use marketing activities in the management of their business and that the entrepreneurs have their own unique style for marketing strategies that might not be formalised with the level of sophistication associated with marketing strategy in large firms.

4.3.3 Marketing Activities and Business Success

Marketing is critical to the success of new entrepreneurial ventures, but this is a topic that has received very little attention from scholars of either marketing or entrepreneurship (Phua and Jones, 2010). In order for the entrepreneurs to be more skilled in the exploitation of opportunities to their best advantage, there is a need for the use of marketing activities. This research argues that for an entrepreneurial venture to progress beyond the start-up stage, the entrepreneur needs to take into account the role of *marketing activities*, which make up the *marketing strategy*. Marketing perspectives and constructs are integral to the domain of entrepreneurship (Styles and Seymour, 2006); it is believed that for the entrepreneur to fully exploit the business opportunity and develop it into a viable business venture, *marketing strategies* are essential. According to numerous authors, there are quite a few *established marketing frameworks*, such as the *traditional marketing mix* (McCarthy, 1996) and *Porter's five forces analysis* (Porter, 1980). However, it is also stated that the traditional marketing frameworks have been developed for *large organisations* and are therefore not applicable to small businesses. At the same time, similar claims are now being made that they do not even apply to large firms due to the gap between theory and practice (Fillis and Rentschler, 2005). To date, there has been a considerable amount of research conducted around the area of the entrepreneurship and marketing interface, however, the domain is still missing a highly influential but under serviced category which is that of small business/small to medium enterprises (Carson, 2010), which are not well served by the theories, processes and tools of mainstream marketing (Morris *et al.*, 2002).

With consideration that the traditional marketing concept fails to explain the marketing behaviour of small firms (Fillis and Rentschler, 2005) and the importance of small

business and small to medium enterprises to the world wide economy, it is essential that research on the entrepreneurship and marketing interface should address this underserved category. In fact it has been suggested that current researchers on the interface have been 'blinded' by the 'widening' of the entrepreneurial dominance that the true interface between entrepreneurship and marketing has been lost (Carson, 2010). Furthermore, little research has been done to assess the link between entrepreneurial marketing and performance outcomes that has been specifically identified by Morris *et al.* (2002) as a key direction in research. An effective strategy allows new businesses to gain sales by providing products and/or services that offer benefits to customers superior to those of their competitors (Phua and Jones, 2010).

Marketing is considered to be the key to the success of new ventures (Bjerke and Hultman, 2002; Gruber, 2004), because new ventures face substantial liabilities of newness, the liabilities lead to higher failure rates of new firms compared to older ones. Marketing competency represents the ability to see past the firms' offerings and their features, to be able to see how they satisfy the customer's needs and why the customer finds them attractive. In other words, with the help of this skill, the entrepreneur will be able to gather the valuable information needed to answer the questions they have, thereby reducing the uncertainty involved in creating a business venture. At the same time, it will also allow for various practical benefits, such as reducing unnecessary costs and the risks of venture failures. Previous research (i.e. Carson, 1998; Morris *et al.*, 2002; Stokes, 2000; Day *et al.*, 2006; Phua and Jones, 2010) has already shown that small business and small to medium enterprises use marketing in their business management however, further research is necessary in order to further understand the style or type of marketing that is useful to them, this knowledge can be used to improve their marketing efficiency and in turn their mortality rate.

Marketing activities influence intermediate outcomes (customer thoughts, feelings, knowledge, and ultimately, behaviour), which in turn influence the financial performance of the firm (O'Sullivan and Abela, 2007). Here, it is argued that entrepreneurs in small businesses do perform various *marketing activities* (Blankson *et al.*, 2006; Walsh and Lipinski, 2009; Gungaphul and Boolaky, 2009) different from the conventional descriptions and practices espoused in the textbooks, which cater mostly to the larger firms (Carson and Gilmore, 2000; Phua and Jones, 2010), since it is essential for

managers and academics alike to understand the marketing practices of small businesses. The identification of the various *marketing activities* used by entrepreneurs will therefore allow us to understand the role that marketing strategies play in small businesses and, in this context, in the new venture creations. It is proposed that in order to understand the roles of marketing activities, one must first assess the contribution of marketing activities to the success of new ventures. In this research, success is represented by *Business Performance*, and this leads to the hypotheses illustrated in the figure 4.3 below.

H0a: There is no relationship between *Marketing Activities* and *Business Success*.

H1a: Entrepreneurs do view marketing activities as important

H1b: Perceived importance of marketing activities has an impact on business success

H2a: Entrepreneurs do use marketing activities, and create their own unique strategies

H2b: Levels of Usage of marketing activities has an impact on business success

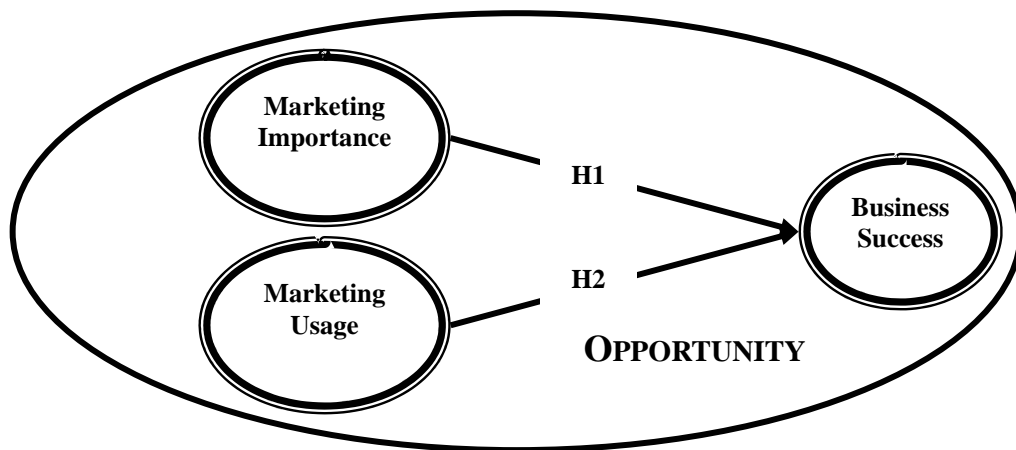


Figure 4.3: *Marketing Activities and Business Success*

4.3.4 Marketing Activities and Market Conditions

In the marketplace, competition among firms is self-escalating and co-evolving, and firm performance depends on matching or exceeding the innovative moves of rivals, whose performance then suffers, motivating these rivals to engage in their own innovative moves (Schindehutte and Morris, 2010). In order to gain market share and revenue, companies are required to run as fast as they can just to stay standing in the same place. A firm will enjoy an advantageous market position, or competitive advantage, only if its customers perceive that the firm offers the highest value proposition, in a free and open market (Miles and Darroch, 2006). A firm's ability to create superior value propositions

for its customers through product differentiation, cost leadership, quick response, or some combination of these bases for competitive advantage, results in the creation of reasons that influence customers' decision to purchase from one firm over any other (Miles and Darroch, 2006). The core of modern marketing is based on the creation of value-rich and mutually beneficial exchange relationships between a firm and its stakeholders (Keefe, 2004). The ability to effectively and efficiently harness entrepreneurship to create superior value offerings for customers determines which firms succeed in the marketplace (Miles, 2005). A firm with superior market position, or competitive advantage will generate superior financial returns over its competitors (Hunt, 2000; Hill and Jones, 2004), and therefore be successful.

A marketing strategy can be represented by three components: product-market breadth, which is similar to the breadth of business activities; differentiation from competitors in the market; and market experience, which reflects the familiarity with market conditions (Miller, 1987; Pehrsson, 2009). The effectiveness of normative strategic planning is contingent upon both internal (organisational culture) and external factors (market conditions), both of which are limited in the degree to which they can be moderated by practitioners (Smith, 2003). External market conditions, particularly the complexity and turbulence of the market (Smith, 2003) can have impacts on the marketing strategies of a firm. Therefore, in line with this idea, it is proposed that the external market conditions of the entrepreneurial firms can have an impact on the perceptions and usage of the marketing activities for the entrepreneurs. This relationship leads to the hypotheses presented below and illustrated in figure 4.4.

H0b: *Market condition* has no impact on the perception and usage of *Marketing Activities*

H3: Market competition can have an impact on the perceived importance of marketing activities

H4: Market competition can have an impact on the level of usage of marketing activities

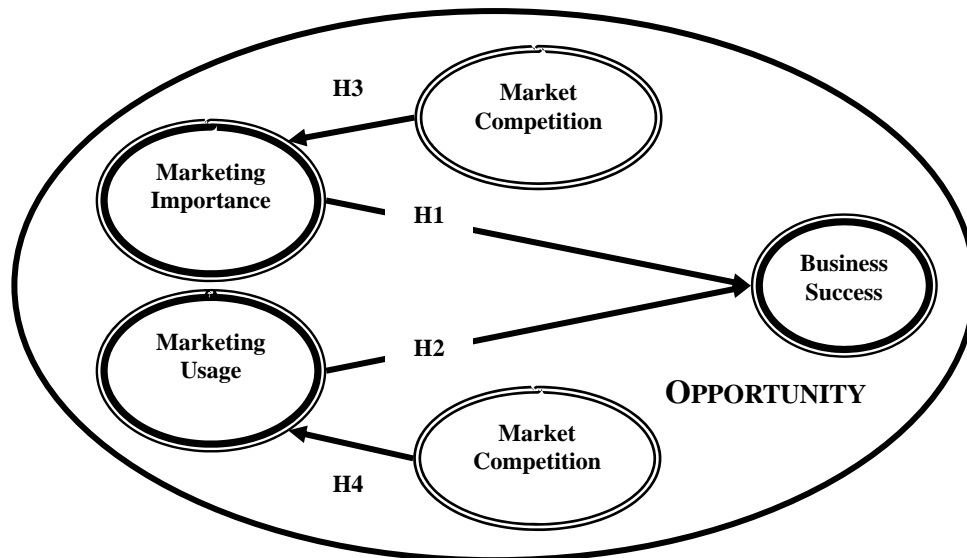


Figure 4.4: Market Conditions affects Marketing Activities

4.4 Operationalisation – Constructs and Measures

This research began from the exploration of how marketing strategy can have an impact on the success of entrepreneurial businesses. Through the use of literature review, a framework illustrating the *components of marketing strategy* (Saunders and Wong, 1985, p. 130) was identified. With those components in mind, further reading was done in order to source for comparable studies and valid constructs. In a paper by Slater and Olson (2001), the author found that they had a number of valid and reliable constructs that are related to this current research. The eleven constructs identified in the Slater and Olson (2001, p. 1066) study were found to be related to the components of marketing strategy identified in the Saunders and Wong framework. Among those eleven constructs, eight of those that are relevant to that of an entrepreneurial business were extracted. For the sake of thoroughness, the three constructs that were not included are *product quality* (relates to quality of manufacturing product), *personal selling* (relates to sales force management) and *support to the promotion process* (relates to specialist marketing personnel), because they represent items irrelevant to that of an entrepreneurial business. The eight constructs (listed in table 4.1) each have several variables attached to them with reliable *Cronbach's Alpha* values of above 0.7, which is acceptable even for confirmatory research (Garson, 2010), thus indicating that they are reliable constructs. These constructs were then developed into questions within the questionnaire (Appendix II) that was used for the data collection. The list of marketing constructs can be seen in table 4.1.

Table 4.1: Marketing Constructs

Marketing Constructs		Items		Source
1	Market Research	1	Systematically learn about customers	Slater and Olson (2001)
		2	Analyze competitor objectives and actions	
		3	Systematically collect information about industry trends	
2	Segmentation	4	Segment markets	
		5	Systematically evaluate which markets to target	
		6	Focus marketing activities on specific segments	
		7	Attract new customers	
3	Product Line Breadth	8	Offer a broad product/service line	
		9	(R) Offer a focused product/service line	
		10	Develop products/services that have broad market appeal	
4	Product Innovation	11	Develop innovative new products/services	
		12	Utilize early adopters for new product/service ideas and feedback	
		13	Achieve or maintain short time from product/service concept to introduction	
5	Service Quality	14	Provide service with a high degree of consistency and accuracy	
		15	Respond quickly to customers' requests and problems	
		16	Clearly understand and communicate with customers	
		17	Provide superior post-sale service quality	
		18	Develop long-term relationships with key customers	
6	Premium Pricing	19	Use of premium pricing	
		20	(R) Price below industry average	
		21	(R) Use price promotions and discounts	
7	Selective Distribution	22	Selective distribution through best distributors available	
		23	Distribute through exclusive distributor that invests in specialized selling effort or unique facilities	
8	Advertising	24	Achieve above industry average number of impressions through advertising	
		25	Generate high-quality advertising materials	
		26	Use media advertising	
		27	Use Web/Internet advertising	
		28	Use direct mail advertising	
		29	Use public relations	

In order to assess the impact of marketing on *business performance*, it is necessary to have measures that can be used to assess business performance. In a previous study conducted on the *NES* entrepreneurs (Jayawarna, Rouse and Crompton, 2007), measures of business performance have already been used. The use of those measures in the previous study has been proven effective and useful in gathering data from the *NES* entrepreneurs; therefore, it was decided the same measures should be adopted here. In

line with the assessing the adoption of the business performance measures, another set of measures from the same study were adopted in order to assess the impact of the level of *market competition* on the adoption of marketing activities. These measures are presented in the table 4.2.

Table 4.2: Business Constructs

Business Constructs		Items		Source
1	Business Performance	1	Sales Growth	Jayawarna <i>et al.</i> (2007)
		2	Return on Sales	
		3	Cash Flow	
		4	Net Profits	
		5	Growth of the Business	
2	Market Competition	1	Large companies dominate the market	Jayawarna <i>et al.</i> (2007)
		2	Substantial untapped market potential	
		3	A lot of difference between firms in the market	
		4	Market is crowded – too many competitors	
		5	Failure rate in my industry is high	

4.4.1 Constructs and Measures in relation to Research Objectives

The measures previously mentioned are selected in order to answer the main research question and objectives of this research, which are as follows:

1. To produce empirical research lacking in current research
2. To produce quantitative research as opposed to qualitative research dominant in the current field
3. To understand the marketing view of entrepreneurs (especially entrepreneurs in start-ups)
4. To identify the marketing activities practiced by start-ups
5. To compare and assess whether there is similarities between the entrepreneurs' marketing to that of a formal marketing strategy
6. To compare and assess whether the views of marketing has an impact on the usage of marketing activities
7. To assess whether marketing activities have an impact on business performance
8. To assess whether market conditions have an impact on the usage of marketing
9. To get opinions of experts on the findings of this research

As can be seen from the table 4.3, most of the research objectives (Objectives 3 to 8) have a set of measures, specifically designed to provide the answers.

Table 4.3: Constructs and Measures

Research Questions		Measures
1	Importance of Marketing Activities	Frequency and Factor Analysis of Marketing Activities
2	Usage of Marketing Activities	Frequency and Factor Analysis of Marketing Activities
3	Types of Marketing Activities used	Frequency and Factor Analysis of Marketing Activities
4	Impact of Importance on Usage of Marketing Activities	T-Test between Importance and Usage of Marketing
5	Impact of Usage of Marketing on Business Performance	Multiple Regression Marketing and Business Performance
6	Impact of Market Competition on Usage of Marketing	Multiple Regression Marketing and Market Competition

4.5 Summary

This chapter endeavoured to illustrate the conceptual framework for this research study. As can be seen, there is a clear gap within the current literature on the topic of the role *marketing strategies* have on *entrepreneurial start-ups*. There is a lack of empirical studies; such studies would be beneficial to provide further insights into the topic of *Entrepreneurship* and *Marketing*. The literature has also indicated that business performance is positively related to entrepreneurial orientation and market orientation. At the same time, there seems to be a gap between the theory and practice of *Entrepreneurship* and *Marketing*. The aim of this study will be to contribute to both research and practice modes of knowledge dissemination in order to bridge the gap between theory and practice. Furthermore, it will be used to contribute to the current teaching model used for *Entrepreneurship* training programmes, with the intention of enhancing the survival rates of entrepreneurial ventures. In the next chapter, there will be a description of the research methods used for this research in order to meet the research question/objectives that have been illustrated here.

CHAPTER 5: METHODOLOGY

5.0 Introduction

This chapter considers the nature of research methodology and the different approaches taken in research, providing a critical evaluation and justification of the research process that took place. Crotty (1998) stated that social research is essentially composed of four fundamental elements: *Methods* (the techniques or procedures used to gather and analyse data related to a particular research question), *Methodology* (the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of the methods to the desired outcomes), *Theoretical Perspective* (the philosophical stance informing the methodology and thus providing the context for the process and grounding its logic and criteria), and the *Epistemology* (the theory of knowledge embedded in the theoretical perspective and thereby in the methodology). In other words, a methodology is chosen based on the philosophical beliefs about how we can legitimately investigate and obtain knowledge about the social world. There are different approaches that provide arguments for and against a particular way of investigating research questions (Crotty, 1998). These, in turn, are related to the assumptions in reality we bring to our work. He went on to state that the choice of a particular methodology and methods is also linked to epistemological questions that are related to our understandings of what human knowledge is, what it entails, and what status can be ascribed to it, in addition to what kind of knowledge we believe will be attained by our research. There are six main sections in this chapter. The first section discusses the *research approach*, and this is followed by the *research philosophy*. The third section discusses the *research paradigms* followed by the *research strategy* and *research design*. In the last section, the discussion is on the *research procedures* for this research, which includes the different steps that were undertaken in the entire research process.

5.1 Research Approach

It is human nature to try to explain what we observe occurring around us, a process

people engaged in long before physical, biological or social sciences were established as disciplines (Black, 1999). According to Black (1999), the difference between ‘common sense’ explanations and scientific ones lies in the way the two types of explanations originate. The *Research Approach* one selects influences on one’s research plan, one’s role in the research process and how one assesses the quality of the research. Easterby-Smith, Thorpe and Lowe (2002) stated that understanding one’s research approach is critical for three main reasons. Firstly, it enables one to make a more informed decision about one’s research design, which is more than the techniques by which the data is collected and the procedures by which they are analysed. It is the overall configuration of a piece of research involving questions about what kind of evidence is gathered and from where and how such evidence is interpreted in order to provide good answers to one’s research question. Secondly, it will help one to think about the research strategies and choices that will work for the specific research project and crucially those that will not. Thirdly, Easterby-Smith *et al.* (2002) argues that knowledge of the different research traditions enables one to adapt the research design to cater for constraints (e.g. practical constraints – limited access to data).

5.1.1 Scientific vs Ethnographic

Maylor and Blackmon (2005) stated that there are two main approaches to research design in business and management, which can be described as the *scientific* and the *ethnographic*. According to them, the terms *scientific* and *ethnographic* reflected the main world-views associated with the two approaches, as well as the main sources of methods, techniques and thinking. Blaikie (2000) described these two approaches as having alternated starting and concluding points and different steps between these points. In other words, it can be said that these two approaches are considerably different from each other, starting and concluding at different points and utilising different ways of getting from one point to another.

The scientific approach is derived from a particular way of doing research known as the *scientific method*, which defines a generally accepted set of procedures for developing and testing theories (Maylor and Blackmon, 2005). In this approach, one develops a complete research plan before the collection of the data; this approach tends to be highly *structured*. It is an idealised model to arrive at what scientists consider to be truth. The

key ideals of this model are objective observation and measurement and careful and accurate analysis of data (Maylor and Blackmon, 2005). In this model, an extensive literature review often takes place as part of the research design and the concepts and relationships identified in previous research often form the foundation for the current research project. Such an approach tends to allow for *Replication*, *Extension* and *Comparison*. In contrast, the *ethnographic* approach represented a more *unstructured* way to doing research. This approach allows the data to guide the progress of the research and each stage of the study depends on what emerges from the data collected. Ethnography is concerned with the study of culture and is an important research approach in areas such as anthropology and sociology (Maylor and Blackmon, 2005). It has been suggested by Maylor and Blackmon (2005) that depth is a characteristic of ethnography; ethnographers try to uncover meaning in a specific situation by studying it intensively, preferably in their 'natural settings'. Ethnographers start their data collection with only a broad outline of their research process and have a completely open mind about what they will find. This may therefore lead to change in methods of data collection and analysis. The last part of the ethnographic approach is literature review (search), which is usually the first part of the scientific approach. The scientific approach will lead to the use of the data collected to answer a specific research question or prove or disprove the hypothesis, a process known as *deduction* (the literature leads to the question or hypothesis). In ethnographic research, on the other hand, the major task is to develop concepts and/or conceptual framework from the data collected, a process known as *induction*.

5.1.2 Deduction

Deductive theory represents the commonest view of the nature of relationship between theory and research. The researcher, on the basis of what is known about a particular domain, deduces a hypothesis (or hypotheses) that must then be subjected to empirical scrutiny (Bryman and Bell, 2007). Bryman and Bell (2007) stated that embedded within the hypothesis will be concepts that will need to be translated into researchable entities (i.e. operational terms). Deduction owes much to what we will think of as scientific research (Maylor and Blackmon, 2005; Saunders, Lewis and Thornhill, 2007). It is a dominant research approach in the natural sciences, where laws present the basis of explanation, allow the anticipation of phenomena, predict their occurrence, and therefore

permit them to be controlled (Collis and Hussey, 2003). Bryman and Bell (2007) mentioned that this view of theory in relation to research is very much the kind of role that Merton had in mind in connection with middle-range theory, which he argued, 'is principally used in sociology to guide empirical inquiry' (Merton, 1967, p.39). Theory and the hypothesis deduced from it come first and drive the process of gathering data.

Deduction possesses several important characteristics: the search to explain causal relationships between variables, the usage of quantitative data and controls to allow the testing of the hypotheses (Saunders *et al.*, 2007). Further, according to the writings of Popper (1959) there is no such thing as objective observation and thus theories can never be proven to be true; they can only be proven to be false. Therefore, a researcher should set up a hypothesis so that it can be disproved (doable) rather than proved (impossible). Deduction also dictates that the researcher should be independent of what is being observed, that concepts needed to be operationalised in a way that enables facts to be measured quantitatively, and the data collected should be statistically generalisable (Saunders *et al.*, 2007).

Bryman and Bell (2007) stated that the social scientist needs to specify how data can be collected in relation to the concepts that make up the hypothesis. There are five sequential stages through which deductive research will progress: (1) deducing a hypothesis from a theory, (2) expressing the hypothesis in operational terms, (3) testing the operational hypothesis, (4) examining the specific outcome of the inquiry and (5) modifying (if necessary) the theory in light of the findings (Robson, 2002). The last step of the deductive process suggested by Robson (2002) is, in essence, similar to a movement that is the opposite of deduction: *Induction*. The researcher first infers (concludes from evidence) the implications of the findings for the theory that prompted the whole research, then the findings are fed back into the stock of theory and the research findings that are associated with a certain domain of enquiry (Bryman and Bell, 2007).

5.1.3 Induction

The emergence of the social sciences in the 20th century led social science researchers to be wary of deduction as an approach that enabled cause-effect links to be made between

particular variables without an understanding of the way in which humans interpreted their social world (Saunders *et al.*, 2007). Some researchers make no attempt to follow the structure (or sequence) of the deductive process. They prefer an approach to the relationship between theory and research that is primarily *inductive*, a stance in which theory is the outcome of research (Bryman and Bell, 2007). The use of induction allows the researcher to develop the necessary understanding, which is the strength of the inductive approach (Saunders *et al.*, 2007).

The process of induction begins with data gathering, followed by analysis of the data, resulting in the formulation of a theory. In other words, using an inductive approach, theory will follow data instead of data following theory as with the deduction approach. The logic of induction is that the researcher will generate theory from the data (Maylor and Blackmon, 2005). However, just as deduction entails an element of induction, Bryman and Bell (2007) stated that the inductive process is likely to entail a modicum of deduction. They suggested that after the phase of theoretical reflection on a set of data has been carried out, the researcher may want to collect further data to establish the conditions in which a theory will and will not hold. Such a theory is often called *iterative*, weaving back and forth between data and theory, and is particularly evident in *grounded theory* (Bryman and Bell, 2007). Nevertheless, inductive researchers tend to criticise deduction because of its tendency to construct a rigid methodology, suggesting that although it is agreed that alternative theories may be suggested by deduction, the alternative theories will still be within the limits set by the highly structured research design (Saunders *et al.*, 2007). Researchers using this approach are also likely to be particularly concerned with the context in which such events are taking place and thus to prefer a small sample of subjects (Saunders *et al.*, 2007) and to tend to work with qualitative data and to use a variety of methods to collect these data in order to establish different views of a phenomenon (Easterby-Smith *et al.*, 2002).

5.2 Research Philosophy

Hughes and Sharrock (1997) pointed out that there have been many definitions of *philosophy* and numerous philosophical styles that often overlap. *Research Philosophy* relates to the development of knowledge, and the nature of that knowledge and the research philosophy one adopts contains important assumptions about the way in which a

person views the world (Maylor and Blackmon, 2005; Saunders *et al.*, 2007). These assumptions will underpin the research strategy and the methods chosen as part of that strategy. The researcher's ontological assumptions affect the epistemology, which, in turn, affects the methodological approach (Burrell and Morgan, 1979). Saunders *et al.* (2007) stated that although the philosophy one adopts will be influenced by practical considerations, the main influence is likely to be the particular view of the relationship between knowledge and the process by which it is developed. There are two major ways of thinking about research philosophy: *Epistemology* and *Ontology*.

5.2.1 Epistemology

Maylor and Blackmon (2005) stated that one's research approach should be consistent with their *epistemology* or *epistemological assumptions*. Epistemology essentially concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline (Bryman and Bell, 2007; Saunders *et al.*, 2007) or what is not considered as knowledge in a field (Maylor and Blackmon, 2005). A central issue in this context is the question of whether or not the social world can and should be studied according to the same principles, procedures, and ethos as the subjects studied in the natural sciences (Bryman and Bell, 2007). They went on to indicate that the position that affirms the importance of imitating the natural sciences is invariably associated with an epistemological position known as *Positivism*. According to Maylor and Blackmon (2005) the two extreme epistemological positions in business and management research are *Positivism*, which is derived from the philosophy of science, and *Subjectivism*, which is derived from the philosophy of social science. Saunders *et al.* (2007) refers to the main epistemological positions as *Positivism*, *Realism* and *Interpretivism*, all three of which will now be described further.

5.2.1.1 Positivism

The principles of *Positivism* are closely related to that of a natural scientist. If one's research reflects the principles of positivism, one will probably adopt the philosophical stance of a natural scientist (Saunders *et al.*, 2007). Positivists such as Francis Bacon (1561-1626), Rene Descartes (1596-1650), Auguste Comte (1798-1857) and Herbert Spencer (1820-1903) assert that it is possible for an observer to remain detached and

distant from the study of phenomena excluding value considerations. “Reality is subject to immutable natural laws based on cause and effect; truth is defined as a set of statements isomorphic with reality. Positivism is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond (Bryman and Bell, 2007, p.16) ”. They further mentioned that positivism is taken to entail the following five principles. First, only phenomena, and hence knowledge, confirmed by the senses can genuinely be warranted as knowledge (*the principle of phenomenalism*). Second, the purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed (*the principle of deductivism*). Third, knowledge is arrived at through the gathering of facts that provide the basis for laws (*the principle of inductivism*). Fourth, science must be (and presumably can be) conducted in a way that is value free (that is, objective). Last, there is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist. The last statement is implied by the first because the truth, or otherwise the normative statements, cannot be confirmed by senses. In other words, positivism essentially composes of both a deductive approach and an inductive strategy (Bryman and Bell, 2007). Pugh (1983) describes the research task as entailing the collection of data upon which basis generalisable propositions that can be tested. The researcher will prefer ‘working with an observable reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists’ (Remenyi, Williams, Money and Swartz, 1998). Only the phenomena one is observing will lead to the production of credible data, and existing theory will be used to create hypotheses which will be tested and confirm in whole or in part, or refuted, leading to the further development of the theory, which may then be tested by future research (Bryman and Bell, 2007; Saunders *et al.*, 2007). Hypotheses developed that lead to the gathering of data rather than impressions, that provide the basis for subsequent hypothesis testing, are consistent with the notion of ‘observable social reality’ similar to that employed by physical and natural scientists (Saunders *et al.*, 2007). According to them, another important component of the positivist approach to research is that the research is undertaken as far as possible in a value-free way. The assumption is that the researcher is independent of and neither affects nor is affected by the subject of the research (Remenyi *et al.*, 1998). Bryman and Bell (2007) emphasised that it is a mistake to treat positivism as synonymous with science and the scientific; philosophers of science and social science differ quite sharply over how best to

characterise scientific practice, and since the early 1960s there has been a drift from viewing it in positivist terms. Therefore, when researchers complain about positivism, it is not entirely clear whether they mean the philosophical term or a scientific approach more generally. There is a long-standing debate about the appropriateness of the natural science model for the study of society.

5.2.1.2 Realism

Realism is another epistemological position that is related to the scientific enquiry; it refers to the acceptance of what the senses show as reality as the truth, that objects have an existence independent of the human mind (Saunders *et al.*, 2007). It has been associated with positivism as it assumes a scientific approach to the development of knowledge which underpins the collection of data and the understanding of those data. Bryman and Bell (2007) stated that this is a philosophical position that purports to provide an account of the nature of scientific practice. Realism shares two features with positivism: a belief that the natural and the social science can and should apply the same kind of approach to the collection of data and to explanation, and a commitment to the view that there is an external reality to which the scientists direct their attention (in other words there is a reality separate from our descriptions of it) (Bryman and Bell, 2007). There are two major types of realism: *Empirical (Direct) Realism* – what you see is what you get; what one experiences through one's senses portray the world correctly (Saunders *et al.*, 2007), through the use of appropriate methods, reality can be understood (Bryman and Bell, 2007). The other type is *Critical Realism* – what one experience are sensations, images of things in the real world, not the things directly, senses can be potentially deceiving (Saunders *et al.*, 2007) – a specific form of realism whose manifesto is to recognise the reality of the natural order and the events and discourses of the world (Bryman and Bell, 2007). Critical realists such as Bhaskar (1989) argue that as a researcher, one will only be able to understand what is going on in the social world if they understand the social structures that have given rise to the phenomena that one is trying to understand. He further stated that one can identify what they do not see through the practical and theoretical processes of the social sciences. Critical realism implies the two following things (Bryman and Bell, 2007, p.18). First, whereas positivists take the view that the scientist's conceptualisation of reality is actually a direct reflection of the reality, realists argue that the scientist's conceptualisation is simply a way of knowing

that reality. Science, then, is a systematic attempt to express through the structures and ways of acting of things that exist and act independently of thought (Bhaskar, 1975). Second, by implication, critical realists (unlike positivists) are content to admit into their explanations theoretical terms that are not amenable to observation. As a result, hypothetical entities to account for regularities in the natural or social orders (the 'generative mechanisms' (Bhaskar, 1975)) are admissible for realists but not for positivists. The critical realist's position essentially implies that one's knowledge is a result of social conditioning and cannot be understood independently of the social actors involved in the knowledge derivation process (Saunders *et al.*, 2007). Another key distinction between empirical (direct) and critical realism (both of which are important in relation to the pursuit of business and management research) is that the direct realist will suggest that the world is relatively unchanging, that it operates, in the business context at one level. They argue that the critical realist's position that the social world is constantly changing is much more in line with the purpose of business and management research, which is too often to understand the reason for phenomena as a precursor to recommending change.

5.2.1.3 Interpretivism

Researchers critical of the positivist tradition may argue that the social world of the business and management is far too complex to lend itself to theorising by definite 'laws' in the same way as physical sciences; it may result in the loss of rich insights into this complex world if such complexity is reduced entirely into a series of law-like generalisations (Saunders *et al.*, 2007). Researchers with such a view tend to have a research philosophy nearer to that of the interpretivist. Interpretivism is taken to denote an alternative to the positivist orthodoxy that has held sway for decades, a term given to a contrasting epistemology to positivism. It is predicated upon the view that a strategy is required that respects the difference between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action (Bryman and Bell, 2007). In other words, interpretivism is an epistemology that advocates that it is necessary for the researcher to understand differences between humans in our role as social actors, emphasising the difference between conducting research among people rather than objects. The metaphor of the theatre says that as a human one plays a part on the stage of human life. Similar to actors in theatrical products

who play out their part, which they interpret in a particular way and then act out their part in accordance with their interpretations, humans interpret their daily social roles in accordance to the meanings they give to these roles (and also interpret the social roles of others with their own set of meanings). The heritage of this strand of interpretivism comes from two intellectual traditions: *phenomenology*, the way in which humans make sense of the world around them; and *symbolic interpretationism*, continual process of interpreting the social world around them, interpreting the actions of others with whom humans interact with and this interpretation leads to adjustment of their own meanings and actions (Saunders *et al.*, 2007). In addition, Bryman and Bell (2007) stated that its intellectual heritage also includes "Weber's notion of *Verstehen*". Researchers with the interpretivist perspective have to adopt an empathetic stance, to enter the social world of the research subjects and understand the world from their point of view. They share a view that the subject matter of the social sciences – people and their institutions – is fundamentally different from that of the natural sciences; therefore, the study of the social world requires a different logic of research procedure, one that reflects the distinctness of humans against the natural order (Bryman and Bell, 2007).

5.2.2 Ontology

Questions of ontology are concerned with the nature of social entities; the main question is whether social entities can and should be considered objective entities that have a reality external to social actors or whether they can and should be considered social constructions built up from the perceptions and actions of social actors (Bryman and Bell, 2007). Saunders *et al.* (2007) described ontology as being concerned with the nature of reality. This raises (to a greater extent than epistemological considerations) the assumptions that researchers have about how the world operates and the commitment held to particular views. In other words, this raises questions of whether 'reality' is externally imposed on an individual consciousness or is internal to an individual (Smith, 1998). One's ontological assumptions affects one's epistemology which, in turn, affects one's methodological approach (Burrell and Morgan, 1979). Saunders *et al.* (2007) described these positions as being frequently referred to as *Objectivism* and *Subjectivism* (or *Constructionism*); their difference can be illustrated by reference to two of the most common and central term in social science – organisation and culture (Bryman and Bell, 2007). These two aspects of ontology both have their devotees among business and

management researchers; both are likely to be accepted as being able to produce valid knowledge by many researchers.

5.2.2.1 Objectivism

Objectivism is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors. It implies that social phenomena and the categories that we use in everyday discourse have an existence that is independent or separate from actors (Bryman and Bell, 2007). This position portrays that social entities exist in a reality external to social actors concerned with their existence (Saunders *et al.*, 2007). In other words, this ontological position implies that social phenomena confront us as external facts that are beyond our reach or influence; one can discuss organisation or an organisation as a tangible object; the organisation is a constraining force that acts on and inhibits its members (Bryman and Bell, 2007). For example, one can view the management itself as an objective entity and by adopting an objective stance to the study of particular aspects of management in a specific organisation, one can say that managers in the organisation have job descriptions which prescribe their duties, there are operating procedures to which they are supposed to adhere, they are part of a formal structure which locates them in a hierarchy with people reporting to them and they in turn report to more senior managers. The degrees to which these features exist from organisation to organisation are variable, but thinking in these terms, one is tending towards the view that the management has a reality external to the managers that inhibit that reality. Similarly, cultures and subcultures can be viewed as repositories of widely shared values and customs into which people can be socialised so that they can function as good citizens or as full participants; cultures and subcultures constrain people because people internalise their beliefs and values (Bryman and Bell, 2007). In the case of both organisation and culture, the social entity in question comes across as something external to the actor and as having an almost intangible reality of its own; it has the characteristics of an object and hence of having an objective reality; to a very large extent, these are 'classic' ways of conceptualising organisation and culture (Bryman and Bell, 2007).

5.2.2.2 Subjectivism (Constructionism)

An alternative ontological position; *subjectivism* challenges the suggestion that categories such as organisation and culture are pre-given and therefore confront social actors as external realities that they have no role in fashioning. Subjectivism holds that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence. The subjective argument is that multiple socially constructed realities exist ungoverned by natural laws (Immanuel Kant, 1724-1803; Wilhelm Dilthey, 1833-1911; Max Weber, 1864-1920) Remenyi *et al.* (1998) stress the necessity to study 'the details of the situation to understand the reality or perhaps a reality working behind them'. This is often associated with the term *constructionism*. Constructionism is an ontological position (often also referred to as *Social Constructionism* or *Constructivism*) which asserts that social phenomena and their meanings are continually being accomplished by social actors (Bryman and Bell, 2007; Saunders *et al.*, 2007). It implies that social phenomena and categories are not only produced through social interaction but that they are in a constant state of revision. This follows from the interpretivist position that it is necessary to explore the subjective meanings motivating the actions of social actors in order for the researchers to be able to understand these actions (Saunders *et al.*, 2007). Strong constructivism contends that all the facts we can ever know are socially and culturally constructed; this can be seen to represent ontological neutrality as no claim is made as to the substratum of experience except that it is unknowable (Barnes, 1982). Reality is the product of social processes of communication and negotiation that result in consensus and significantly affect how we see the world and how we behave in it. Knowledge is no longer to be judged in terms of whether it is true or false, but in terms of whether it works (Gibbons, Limoges, Nowotny, Schwartzman, Scott and Trow, 1994). For example, Strauss, Schatzman, Ehrlich, Bucher and Sabshin (1973) proposed that an organisation is best conceptualised as a 'negotiated order'. In other words, instead of taking the view that organisation is a pre-existing characteristic, they argue that it is worked at; rules are far less extensive and less rigorously imposed than might be supposed from the classic account of organisation. According to them, a preoccupation with the formal properties of the organisation tends to neglect the degree to which order in organisations has to be accomplished in everyday interaction, though this is not to say the formal properties have no element of constraint on the individual action. On the idea of culture, instead of it being seen as an

external reality that acts on and constrains people, it can be taken to be an emergent reality in a continuous state of construction and reconstruction. Becker (1982) suggested that people create culture continuously; no set of cultural understandings provide a perfectly applicable solution to any problem people have to solve in the course of the day, and they therefore must remake those solutions, adapting their understandings to the new situation in light of what is different about it. Becker (1982), similar to Strauss *et al.* (1973), recognises that the constructionist argument cannot be pushed to the extreme; it is necessary to appreciate that culture has a reality that ‘persists and antedates the participation of particular people’ and shapes their perspectives, but it is not an inert objective reality that possesses only a sense of constraint; it acts as a point of reference, but it is always in the process of being formed. Each admitted to the pre-existence of their objects of interests (i.e. organisation and culture), with an intellectual predilection for stressing the active role of individuals in the social construction of social reality (Bryman and Bell, 2007).

However, not all researchers who adopted a constructionist position are similarly prepared to acknowledge the existence of an objective reality (e.g. (Walsh, 1972)). Constructionism also suggests that the categories that people employ in helping them to understand the natural and social world are in fact social products; these categories do not have built-in essences, instead their meaning is constructed in and through interaction (Bryman and Bell, 2007). This kind of stance tends to display a concern for the language that is employed to present categories in particular ways; it suggests that the social world and its categories are not external to us but are built up and constituted in and through interaction. In recent years, the term *constructionism* has also come to include the notion that researcher’s own accounts of the social world are constructions (in other words, the researcher always presents a specific version of social reality, rather than one that can be regarded as definitive, knowledge is viewed as indeterminate) (Bryman and Bell, 2007). Increasingly, the notion of constructionism in relation to the nature of knowledge of the social world is being incorporated into notions of constructionism, but for the purpose of this research and discussion, the term *Constructionism* is presented as a ontological position in relating to social objects and categories, one that views them as socially constructed.

5.2.2.3 Objectivism vs Subjectivism

Saunders *et al.* (2007) describes the objectivist-subjectivist debate as somewhat similar to the different ways in which the theoretical and practical approaches to organisational culture have developed in recent years. As noted by Smircich (1983), objectivists will tend to view the culture of an organisation as something that the organisation ‘has’. Alternatively the subjectivist’s view will be that culture is something that the organisation ‘is’ as a result of the process of continuing social enactment. Management theory and practice has leaned towards treating organisational culture as a variable, something that the organisation ‘has’; something that can be manipulated, changed in order to produce the state desired by managers (Saunders *et al.*, 2007). In contrast, they suggested that the subjectivist will reject this as too simplistic and argue that culture is something that is created and re-created through a complex array of phenomena which include social interactions and physical factors (e.g. office layout) to which individuals attach certain meanings, rituals and myths. To understand culture, one will have to understand the meanings that are attached to these phenomena by social actors within the organisation; furthermore, due to the continual creation and re-creation of an organisation’s culture, it is difficult for it to be isolated, understood and then manipulated.

5.3 Research Paradigm

Paradigm is a term frequently used in social sciences, but it is a term which can lead to confusion due to its multiple meanings. Kuhn (1970) provided a highly influential use of the term *paradigm*, which is derived from his analysis of revolutions in science. A paradigm is ‘a cluster of beliefs and dictates which for scientists in a particular discipline influence what should be studied and how results should be interpreted’ (Bryman, 1988). Kuhn (1970) stated that there are two main characteristics of what constitutes a paradigm: achievement that was sufficiently unprecedented to attract a group of enduring adherents away from competing modes of scientific activity and, at the same time, is sufficiently open-ended to leave all sorts of problems for the redefined group of practitioners to resolve. His examples of paradigms included *Ptolemaic astronomy* (or *Copernican*), *Aristotelian Dynamics* (or *Newtonian*) and *Corpuscular Optics* (or *Wave Optics*). Kuhn (1970) depicted the natural sciences as going through periods of revolutions, whereby normal science (science carried out in terms of the prevailing paradigm) is increasingly

challenged by anomalies that are inconsistent with the assumptions and established findings in the discipline at that time. The growth in anomalies eventually gives way to a crisis in the discipline, which in turn occasions a revolution. The period of revolution is resolved when a new paradigm emerges and a new period of normal science sets in. An important feature of paradigm is that it is incommensurable; that is, they are inconsistent with each other because of their divergent assumptions and methods. Disciplines in which no paradigm has emerged as pre-eminent, such as the social sciences, are deemed as pre-paradigmatic in that they feature competing paradigms.

Guba and Lincoln (1994, p.107) defined paradigms as a set of *basic beliefs* (or metaphysics) that deal with ultimates or first principles; it represents a *worldview* that defines for its holder the nature of the 'world', the individual's place in it, and the range of possible relationships to that world and its parts. The term paradigm has been interpreted differently by many researchers. In the Kuhnian sense, paradigms are universally recognised, scientific achievements that for a time provide model problems and solutions to a community of practitioners. In a different way, Burrell and Morgan's work presented the term as a commonality of perspective that binds the work of a group of theorists together. One of the key influences on understanding the epistemological and ontological foundations of business research is Burrell and Morgan (1979)'s work (figure. 5.1), which offered a categorisation of four social science paradigms that can be used in management and business research to generate fresh insights into real life issues and problems. Their notion of paradigm draws on the work of Kuhn, and it is used to describe different forms of social science demonstrating fundamentally different philosophical orientations. In their view, the paradigms are "contiguous but separate" (Burrell and Morgan, 1979, p. 22).

In support of Burrell and Morgan, Schultz and Hatch (1996) defined paradigms as sets of ontological and epistemological assumptions. However, Schultz and Hatch (1996) disagreed on the argument that the paradigms are incommensurable and instead chose to follow those that recommend that researchers challenge and cross paradigm-borders (i.e. Hassard, 1988; Gioia and Pitre, 1990; Parker and McHugh, 1991; Weaver and Gioia, 1994). Burrell and Morgan's work highlighted the role of philosophies in research endeavour; it informed researchers about the complexities of organisational enquiry and raised awareness about the influence of research paradigms on knowledge construction

(Burrell and Morgan, 1979). It is recognised that many authors, not least Burrell and Morgan themselves, have provided an overview of this paradigmatic framework (Gioia and Pitre, 1990; Chell and Pittaway, 1998; Hirschheim and Klein, 1998; Grant and Perren, 2002; Pittaway, 2005).

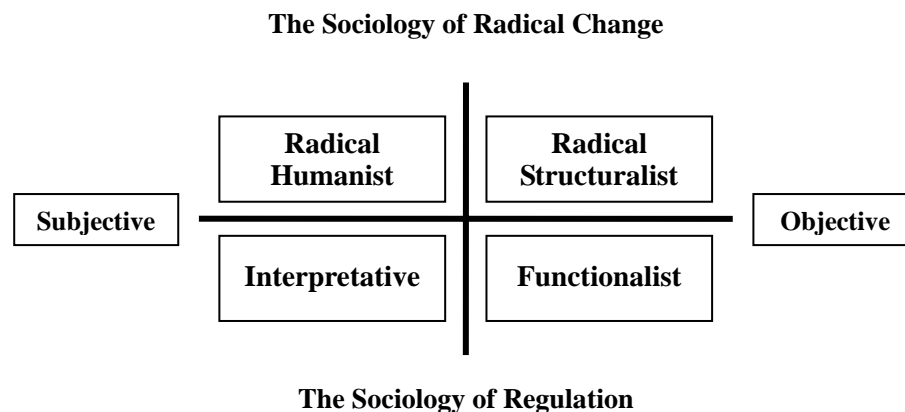


Figure 5.1: The Paradigm Framework (Burrell and Morgan, 1979, p.22)

The paradigms in Burrell and Morgan’s framework (figure 5.1) were constructed by reviewing organisational research according to certain types of philosophical assumption which included the following (Pittaway, 2005, p. 203).

- *Ontological assumptions* – ontology is a branch of meta-physics, a part of philosophy that examines the nature of being. Ontological assumptions, therefore, focus on the nature of reality and are about how reality is constructed and represented in human consciousness.
- *Epistemological assumptions* – epistemology is a branch of philosophy that is concerned with the nature of knowledge, together with its source and forms. Epistemological assumptions are about how people understand and conceptualise the world around them, making assumptions about what constitutes knowledge, how it might be constructed and appropriately communicated.
- *Assumptions about human nature* – focus on the different assumptions about human activity and behaviour that underlie theory. These typically revolve around a series of debates about human behaviour. For example, one such debate between “free-will” and “determinism” concerns the degree to which human beings have

the ability to act on their environment or whether circumstances beyond their control determine behaviour.

- *Assumptions about the nature of society* – are assumptions about how society works. The main debate focuses on the sociology of order, assuming that every society is relatively stable, in contrast to the sociology of conflict, which assumes that deep-seated structural conflict occurs within society.

Bryman and Bell (2007) stated that in accordance to the work of Burrell and Morgan (1979), each paradigm contains assumptions that can be represented as either *objectivist* (there is an external viewpoint from which it is possible to view the organisation, which is comprised of consistently real processes or structures) or *subjectivist* (an organisation is a socially constructed product, a label used by individuals to make sense of their social experience, so that it can be understood only from the point of view of individuals who are directly involved in its activities). The paradigms also consists of assumptions about the function and purpose of scientific research in investigating the world of business as either *regulatory* (the purpose of business research is to describe what goes on in organisations, possibly to suggest minor changes that might improve it but not to make any judgement of it) or *radical* (the point of management and business research is to make judgments about the way that organisation ought to be and to make suggestions about how this can be achieved). Burrell and Morgan (1979) plotted the assumptions of researchers along these two axes; this provides a framework for the identification of four possible paradigmatic positions for the study of organisations. These are *functionalist* (the dominant framework for the study of organisations, based on problem-solving orientation which leads to rational explanation), *interpretative* (questions whether organisations exist in any real sense beyond the conceptions of social actors, so understanding must be based on the experience of those who work within them), *radical humanist* (sees an organisation as a social arrangement from which individuals need to be emancipated and research as guided need for change), and *radical structuralist* (views an organisation as a product of structural power relationships, which result in conflict). According to them, each paradigm results in the generation of a quite different type of organisational analysis as each seeks to address specific organisational ‘problems’ in a different way.

Burrell and Morgan (1979) stated that the purposes of the four paradigms are to help researchers clarify their assumptions about their view of the nature of science and society, to offer a useful way of understanding the way in which other researchers approach their work, to help researchers plot their own route through their research, and to understand where it is possible to go and where they are going. Grant and Perren (2002) provided further description of the four paradigms. *Functionalists* are portrayed as taking an objective view of reality and are concerned with explaining how organisations and society maintain order. *Interpretivists* are portrayed as taking a subjective view of reality, being concerned with explaining individuals' perceptions of their organisations and society. They are also concerned with explaining how organisations and society maintain order. *Radical humanists* are portrayed as taking a subjective view of reality and are concerned with explaining radical change in organisations and society. *Radical structuralists* are portrayed as taking an objective view of reality and are concerned with explaining radical change in organisations and society. Each of the paradigms has a range of underlying philosophical assumptions. For the *functionalists* and *radical structuralists*, they take an objective perspective and tend to have a realist ontology, a positive epistemology, a deterministic view of individuals, and a nomothetic methodology. *Interpretivists* and *radical humanists* take a subjective perspective and tend to have a nominalist ontology, an anti-positivist epistemology, a voluntarist view of individuals, and an ideographic methodology.

The four paradigms are incommensurable, as stated by Burrell and Morgan (1979, p.25):

'A synthesis is not possible, since in their pure forms they (paradigms) are contradictory, being based on at least one set of opposing meta-theoretical assumptions. They are alternatives, in the sense that one can operate in different paradigms sequentially over time but mutually exclusive in the sense that one cannot operate in more than one paradigm at any given point in time, since in accepting the assumptions of one, we defy the assumptions of all others.'

However, one of the most significant areas of controversy to have arisen in relation to Burrell and Morgan's work (the model in figure 5.1) is the issue of commensurability or the incommensurability of the four paradigms. Burrell and Morgan (1979) consider their matrix to be a framework, which is explicitly a flexible one within which social theories can be located according to their source and tradition. They advocate its use as a heuristic device rather than being a rigid set of definitions; however, there has been widespread criticism of this position. Jackson and Carter (1991) argue that paradigm

incommensurability is important because it protects the diversity of scientific thought, resisting the hegemony of functionalist approaches that have tended to dominate business research. Alvesson and Wilmott (1996) noted that the Burrell and Morgan's model does not include *feminism* or *post structuralism* in their framework. The dualism between *subjectivist* and *objectivist* orientations was criticised by Boland (1989) and Wilmott (1993), suggesting that the divide between the two can lead to a polarisation of methodological approaches. Though a pluralism of perspectives is a necessary condition for incommensurability, as long as there are accepted standards available to reasonably decide between competing perspectives, Scherer (1998) does not consider the perspectives incommensurable. Reed (1985) stated that the boundaries between paradigms are not as clear as Burrell and Morgan suggest and that the overstatement of the differences between them leads to isolationism and reduces the potential for creative theoretical development. Putting the different viewpoints aside, it is clear that this model has significantly influenced business researchers by encouraging people to explore their epistemological and ontological assumptions. Essentially, it can be supposed that the choice of which paradigm to adopt has implications for the design of the research and the data collection approach that will be taken. Gioia and Pitre (1990) summarised the different theory building approaches that are affected by different paradigm assumptions in relation to the four paradigms identified in Burrell and Morgan's framework (table 5.1).

Interpretivist Paradigm	Radical Humanist Paradigm	Radical Structuralist Paradigm	Functionalist Paradigm
Goals	Goals	Goals	Goals
To <i>describe</i> and <i>explain</i> in order to <i>diagnose</i> and <i>understand</i>	To <i>describe</i> and <i>critique</i> in order to <i>change</i> (achieve freedom through revision of consciousness)	To <i>identify</i> sources of domination and <i>persuade</i> in order to <i>guide</i> revolutionary practices (achieve freedom through revision of structures)	To <i>search</i> for regularities and <i>test</i> in order to <i>predict</i> and <i>control</i>
Theoretical Concerns	Theoretical Concerns	Theoretical Concerns	Theoretical Concerns
Social construction of reality Reification process Interpretation	Social construction of reality Distortion Interests served	Domination Alienation Macro forces Emancipation	Relationships Causation Generalisation
Theory Building Approaches	Theory Building Approaches	Theory Building Approaches	Theory Building Approaches
<i>Discovery</i> through <i>code analysis</i>	<i>Disclosure</i> through <i>critical analysis</i>	<i>Liberation</i> through <i>structural analysis</i>	<i>Refinement</i> through <i>causal analysis</i>

Table 5.1: Paradigm Differences Affecting Theory Building (Gioia and Pitre, 1990, p. 591)

With the use of structure as a running theme, Gioia and Pitre (1990) described how each of the paradigms (table 5.1) offer different treatment of related issues. For instance, from a functionalist perspective, organisational structure is usually viewed as a stable, objective characteristic. However, from an interpretivist perspective, structuring is often viewed as a socially constructed, ongoing process of accomplishment. In the perspective of a radical humanist, deep structure (more accurately, the reification of deep structuring) is frequently seen as a subjective construction of those in power that should be exposed and changed. Finally, in the radical structuralist perspective, social class structures are considered as objective realities that demand examination and radical change. Due to the modern study of organisations being driven mainly by social science variations of the natural science models, debates about theory building and contributions to theory have been confined for the most part within the bounds of the functionalist paradigm (Gioia and Pitre, 1990).

5.3.1 Paradigms in Small Business and Entrepreneurship

The study of small business and entrepreneurship has in recent times established itself as a research discipline, and thus the paradigm debate that commenced much earlier in other management disciplines, such as organisational studies, has started to take place in this field too (Savage and Black, 1995; Chell and Pittaway, 1998; Watkins-Mathys and Lowe, 2005). In addition to the functionalist paradigm being the dominant paradigm used in the organisational research (Gioia and Pitre, 1990; Grant and Perren, 2002; Pittaway, 2005; Bryman and Bell, 2007; Saunders *et al.*, 2007), it also shows signs of being dominant just in terms of *entrepreneurship* research. In various studies conducted by entrepreneurship researchers (Gioia and Pitre, 1990; Grant and Perren, 2002; Pittaway, 2005) over the years, the functionalist paradigm was concluded as being the dominant paradigm within the four paradigms identified in Burrell and Morgan's framework, suggesting that the zeitgeist of research in the 'leading journals' in the small business and entrepreneurship area is functionalist in orientation (Grant and Perren, 2002). The work of Grant and Perren (2002) provided a systematic analysis of major contributions made in the field of small business and entrepreneurship. Their conclusion that research in the small business and entrepreneurship area is functionalist in orientation seems to be in contrast to earlier research (Perren, Berry and Blackburn, 2001) observations, which suggested that the

small business area could perhaps be described as ‘soft’ and pre-paradigmatic (Biglan, 1973a; Biglan, 1973b; Tranfield and Starkey, 1998); that is, the area lacks a body of theory that is subscribed to by all members of the field. The pre-paradigmatic nature can be seen as one of the drivers that led to the range of paradigmatic positions adopted in fields such as *Sociology* (Grant and Perren, 2002), therefore the suggestion that the *small business and entrepreneurship* area is both pre-paradigmatic and yet at the same time having most researchers agree on following a functionalist paradigm is in itself contradictory. This can perhaps be explained by the research of Tranfield and Starkey (1998), which observed that a pragmatic approach to research may occur in ‘applied’ disciplines, like small business and entrepreneurial research, that follow practitioners’ agendas, in contrast to ‘pure’ areas where research is ‘largely dictated by the linear and logical development of an academic agenda’. Many small business and entrepreneurial researchers can perhaps be seen as adopting the pragmatism of the archetypal politician’s or intermediary’s agenda and accepting the received wisdom of enterprise discourse that pervades society (Fairclough, 1995; Grant and Perren, 2002).

In other words, research in small business and entrepreneurship research is still largely based on practice, and is, therefore, not yet bounded by concepts of absolute ‘truths’ that are found in established fields, where the functionalist paradigm tends to dominate (Watkins-Mathys and Lowe, 2005). Pittaway (2005) found evidence of diversity in meta-theories used, but there was less evidence of philosophies drawn from other Burrell and Morgan’s paradigms – thus supporting Grant and Perren’s observations. However, he stated that this conclusion can be viewed both positively and negatively; for those wishing to expand these foundations and draw more widely from other Burrell and Morgan paradigms than is currently the case, the current diversity indicates a tolerance for alternative views and approaches. At the same time, for researchers wishing to create a more ‘scientific’ paradigm, the dominance of the functionalist enquiry does provide a foundation for further consolidation (Pittaway, 2005).

5.4 Research Strategy – Quantitative and Qualitative

O’Leary (2004) suggested that the two most confusing words in the methods world are *Quantitative* and *Qualitative*. The status of distinction between *quantitative* and *qualitative* research is ambiguous because it is simultaneously regarded by some as a

fundamental contrast and by others as no longer useful or even simply as ‘false’ (Layder, 1993). However there is little evidence to suggest that the use of the distinction is abating and it represents a useful means of classifying different methods of business research and is a helpful umbrella for a range of issues concerned with the practice of business research (Bryman and Bell, 2007). As is commonly known and agreed upon, the main distinction here is that quantitative researchers utilise measurement and qualitative researchers do not. There are, however, many researchers who suggest that the differences are deeper than the superficial issue of the presence and absence of quantification. For many researchers, quantitative and qualitative research differs with regard to their epistemological foundations and in other aspects too (Bryman and Bell, 2007). This implies that if one considers the epistemological and ontological issues that have previously been discussed, quantitative and qualitative research can be taken to form two distinctive clusters of research strategy. In other words, quantitative and qualitative research each becomes a general orientation to the conduct of business research.

The *quantitative* research can be construed as a research strategy that emphasises quantification in the collection and analysis of data and that (Bryman and Bell, 2007, p. 28)

- entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories;
- has incorporated the practices and norms of the natural scientific model and of positivism in particular; and
- embodies a view of social reality as an external, objective reality.

The qualitative research can be construed as a research strategy that usually emphasises words rather than quantification in the collection and analysis of data and that (Bryman and Bell, 2007, p. 28)

- predominantly emphasises an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories;
- has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world; and

- embodies a view of reality as a constantly shifting emergent property of individual's creation.

Easterby-Smith *et al.* (2002) posited that the traditional view is that quantitative enquiry examines data which are numbers, while qualitative enquiry examines data which are narrative. Hyde (2000) added that inherent in this dichotomy is the view that quantitative enquiry generally adopts a deductive process, while qualitative enquiry generally adopts an inductive process. While this distinction is true in general, it will be argued that this does not fully nor accurately describe all the processes adopted by quantitative and qualitative researchers in practice. As stated by Trumbo (2004), of all the theoretical work done in the quantitative mode, the majority of researchers make use of either a hypothesis or research question. This can be said to reflect the orientation of quantitative researchers toward a deductive approach and the use of inferential statistics. The opposite is the case for the qualitative work, perhaps reflecting the stronger orientation toward induction. Quantitative and qualitative methods are ways of primary data collection that have been defended by the above schools, which indicated different epistemological approaches of conducting research.

Bryman (1993) stated that quantitative research is associated with a number of different approaches to data collection and tends to answer the '*what*' questions. In other words, quantitative research allows the researcher to see what is happening. Di Pofi (2002) stated that practicing organisational development professionals have suggested data collection and analyses are best when guided by theoretically supported models fine-tuned through experience; it strengthens the diagnostic process by promoting comprehensive assessments and by reducing the likelihood of diagnostic bias. There are numerous qualitative research methods that are currently widely-used by researchers. The many methods however, allow for a similar type of data to be collected, which tend to be more in-depth and usually provides answers to the *how* and *why* questions. Van Maanen (1979) stated that the term 'qualitative' has no precise meaning; it is an umbrella term that covers a variety of techniques. The term seeks to describe, decode, translate and otherwise come to terms with the *meaning*, not the frequency of certain more or less naturally occurring phenomena in the social world. According to Easterby-Smith *et al.* (2002), many researchers have a clear-cut impression of what differentiates qualitative enquiry from quantitative. This traditional view is that quantitative enquiry examines

data that are in numbers, while qualitative enquiry examines data that are narrative. Inherent in this dichotomy is the view that quantitative enquiry generally adopts an inductive process, while qualitative enquiry generally adopts a deductive process. Guba and Lincoln (1994) argued that while this distinction is true in general, it will not fully or accurately describe the processes adopted by quantitative and qualitative researchers in practice. However, Hyde (2000) cited that the traditional view is that quantitative researchers subscribe to a positivist paradigm of science, while qualitative researchers subscribe to a relativist paradigm, that the difference is the choice of research paradigm, rather than the choice of research method.

5.5 Research Design

Entrepreneurship analysis is primarily the study of people who act creatively in market situations to do new things (Rae, 2007). However, there are important choices and considerations to be made prior to conducting the study or research project. First and foremost, the choice of a research approach, which is a key part of conducting a research project, should be made. Second, the researcher should consider the research philosophy. Third, a choice has to be made on the research strategy.

5.5.1 Choice of Research Approach

As mentioned earlier (section 5.2), there are two main approaches to research design in business and management, which can be described as the *scientific* and the *ethnographic* (Blaikie, 2000; Maylor and Blackmon, 2005). The terms *scientific* and *ethnographic* reflected the main world-views associated with the two approaches as well as the main sources of methods, techniques and thinking. The use of the scientific approach will lead to the use of *deduction*, and the use of the ethnographic approach will lead to the use of *induction*. Deduction and induction relate to two general approaches of reasoning which may result in the acquisition of new knowledge (Hyde, 2000), known as deductive and inductive reasoning. Inductive reasoning is essentially a theory building process, starting with observations of specific instances, and seeking to establish generalisations about the phenomenon under investigation (Robson, 2002; Collis and Hussey, 2003; Maylor and Blackmon, 2005; Bryman and Bell, 2007; Saunders *et al.*, 2007). On the other hand, deductive reasoning is a theory testing process which commences with an established

theory or generalisation and seeks to see if the theory applies to specific instances (Maylor and Blackmon, 2005; Bryman and Bell, 2007; Saunders *et al.*, 2007).

Creswell (1994) suggested a number of practical criteria when deciding on which approach one should adopt. While topics where there is a wealth of literature from which one can define a theoretical framework and a hypothesis lend themselves to deduction, those topics where there is little existing literature can benefit from an inductive research design. Another point noted by Creswell (1994) is that time is an issue. Deductive research is quicker to complete, although time must be devoted to setting up the study prior to data collection and analysis. On the other hand, inductive research is based on long periods of data collection and analysis. Deduction is considered low-risk, although there is a risk of non-return of questionnaires. Induction presents the risk of the probability that no useful data patterns and theory will emerge. Finally, they stated that there is the question of audience; most people (i.e. owner/managers) are more familiar with research based on deductive reasoning (as it has been a method adapted from scientific/natural sciences research that has been established for a long time) and are much more likely to put faith in the conclusions emanating from the approach. If one is particularly interested in describing what is happening, rather than understanding why something is happening, it may be more appropriate to undertake the research deductively rather than inductively (Saunders *et al.*, 2007).

It is in line with this logic that the researcher chose the deductive approach (which is related to the scientific approach) for the purpose of conducting this piece of research. At the same time, this is a topic on which there is a considerable amount of existing literature from which one can define a theoretical framework and consequently hypotheses, therefore lending itself to deduction (Creswell, 1994). One of the main aims of this research is to explore the roles and relationship of the two concepts Entrepreneurship and Marketing. Although these two concepts have been regarded as being separate disciplines for a long period of time, increasingly in recent years researchers have been attempting to introduce links between these two diverse disciplines, which has resulted in the much talked-about Entrepreneurship and Marketing Interface. Deduction also tends to be regarded as having lower risks as compared to induction. Another reason is that with the consideration of the audience of this research, such as managers, Creswell (1994) suggested that they are more likely to put faith into results

emanating from deductive research. The choice of the research approach however cannot be made independent from the consideration of the research philosophy that relates to the approach. The research approach should be consistent with the researchers' *epistemological* and *ontological assumptions*.

5.5.2 Consideration of the Research Philosophy

As was mentioned in section 5.3, there are two main areas to be considered in terms of research philosophy: *epistemology* and *ontology*. The deductive approach and thus the scientific approach is invariably associated with an epistemological position known as *Positivism* (Bryman and Bell, 2007). The principles of *Positivism* are closely related to that of a natural scientist. If one's research reflects the principles of positivism, one will probably adopt the philosophical stance of a natural scientist (Saunders *et al.*, 2007). The key epistemological question is 'can the approaches to the study of the social world, including that of management and business, be the same as the approach to studying the natural sciences?' Bryman and Bell (2007) emphasised that it is a mistake to treat positivism as synonymous with science and the scientific; philosophers of science and social science differ quite sharply over how best to characterise scientific practice. Von Wright (1971) has depicted the epistemological clash as being between *positivism* and *hermeneutics* (a term that is drawn from theology and that, when imported into the social sciences is concerned with the theory and method of the interpretation of human action). This clash reflects a division between an emphasis on the *explanation* of human behaviour that is the chief ingredient of the positivist approach to the social sciences and the *understanding* of human behaviour. The latter is concerned with the emphatic understanding of human action rather than with the forces that are deemed to act on it. Some researchers will argue that an interpretivist perspective is highly appropriate in the case of business and management research, particularly in such fields as organisational behaviour, marketing and human resource management (Saunders *et al.*, 2007). Business situations are described as complex and unique, a function of a particular set of circumstances and individuals. This, however, leads to the question of generalisability of research that aims to capture the rich complexity of social situations. Interpretivist researchers will argue that generalisability is not of crucial importance; if one accepts that the world of business organisations is ever-changing, then the generalisation today may not be applicable in three months; similarly, if one accepts that all organisations are

unique, generalisations lose their value (Saunders *et al.*, 2007). The researcher argues that the ability to generalise is critical especially in the context of this study. It is essential to capture, with the use of large amounts of generalisable data collected from the respondents, the essence of *what* is happening. Only by having a set of generalisable data can the researcher be able to view the overall picture of the phenomenon that is taking place and subsequently to use the generalised view to produce practical contributions that can be potentially beneficial to both the academia and the industry.

Questions of social ontology cannot be divorced from the issues concerning the conduct of business research; ontological assumptions and commitments will feed into the ways in which research questions are formulated and research is carried out (Bryman and Bell, 2007). The formulation of a research question in a way that suggests organisations and cultures are objective social entities that act on individuals is likely to emphasise the formal properties of the organisations or the beliefs or values of members of the culture. Alternatively, if the research problem is formulated so that the tenuousness of organisation and culture as objective categories is stressed, it is likely that an emphasis will be placed on the active involvement of people in reality construction. Bryman and Bell (2007, p.16), as previously mentioned, stated that positivism is taken to entail the following five principles. Firstly, only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge (*the principle of phenomenalism*). Second, the purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed (*the principle of deductivism*). Third, knowledge is arrived at through the gathering of facts that provide the basis for laws (*the principle of inductivism*). Fourth, science must be (and presumably can be) conducted in a way that is value free (that is, objective). Last, there is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist. In essence, positivists researchers will prefer ‘working with an observable reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists’ (Remenyi *et al.*, 1998). Only the phenomena one is observing will lead to the production of credible data, existing theory will likely be used to create hypotheses which will be tested and confirm in whole or in part, or refuted, leading to the further development of the theory, which may then be tested by future research (Saunders *et al.*, 2007). Another important component of positivist approach to research is that the research is undertaken as far as

possible in a value free way; the assumption is that the researcher is independent of and neither affects nor is affected by the subject of the research (Remenyi *et al.*, 1998). *Objectivism* is basically an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors (Bryman and Bell, 2007) and thus is in line with the positivist approach. In other words, this ontological position implies that social phenomena confront us as external facts that are beyond our reach or influence; one can discuss organisation or an organisation as a tangible object; the organisation is a constraining force that acts on and inhibits its members (Bryman and Bell, 2007). Upon thorough consideration, the *deductive* research approach adopted by the research is consistent with the researcher's philosophy: *Positivism* and *Objectivism*.

5.5.3 Choice of Research Strategy

It is frequently advocated that the positivist researcher will be likely to use a highly structured methodology in order to facilitate replication (Gill and Johnson, 2002). Furthermore, the emphasis will be on quantifiable observations that lend themselves to statistical analysis. Replication allows for subsequent theory testing, which can lead to 'further development of the existing theory (Bryman and Bell, 2007)', which is essential to critical theory development. The research task entails the collection of data upon which to base generalisable propositions that can be tested. Generalisations, as previously mentioned, are critical in order to produce a view of the overall picture of the phenomenon that is taking place and subsequently to use the generalised view to produce practical contributions that can be potentially beneficial to both academia and industry. Practical contributions to knowledge are essential in order to counter one of the common issues in social research, which historically has failed to transfer into practical ends, at least according to Giddens (1987). The traditional view in research with regard to research strategies is that quantitative researchers subscribe to a "positivist" paradigm of science, while qualitative researchers subscribe to a "relativist" paradigm; however, it has also been said that both qualitative and quantitative methods may be used appropriately with any research paradigm (Hyde, 2000). Guba and Lincoln (1994) suggested that the choice of research paradigm, rather than the choice of research method is the overriding concern. Many academics agree that the particular methodology used for a particular situation will not necessarily generate a consensus among all researchers (Burrell and Morgan, 1979; Easterby-Smith, Thorpe and Lowe, 1999; Crotty, 1998; Kumar, 1999;

Hofer, 2002). This can be attributed to the fact that individuals have different approaches towards the nature of the knowledge under investigation, which, in turn, affects the choice of a research strategy. According to Easterby-Smith *et al.* (2002), whether people view knowledge as a set of accumulated facts or as an integrated set of constructs of knowledge, or whether they view themselves as passive receptors or active constructors of knowledge, the adequacy of our epistemological theories will in some way determine what and how we make meaning of the information we encounter.

One of the main elements that is associated with objectivism is the positivistic stance, which, as mentioned by Nachmais and Nachmais (1996), is based on the idea that the social world exists externally and that its properties should be measured through objective methods rather than being inferred through sensation, reflection and intuition. Positivism has been derived from the *natural sciences* and therefore reflects the assumptions and methodologies prevalent in those areas, such as the usage of quantitative methods for data. Positivistic methods have been said to be mainly developed for the verification and not the generation of new theory (Eldabi, Irani, Paul and Love, 2002); however, the researcher argues that there is no perfect research methodology, just as there is no universally agreed methodology (Harrison and Shirom, 1999). The rules and procedures for research are constantly subjected to changes as scientists continue to strive in their search for new methods and techniques of observation, inference, generalisation and analysis (Di Pofi, 2002) in order to advance their knowledge within their research area. Practicing organisational development professionals have suggested that data collection and analyses are best when guided by theoretically supported models fine-tuned through experience (Di Pofi, 2002), which strengthens the diagnostic process by promoting comprehensive assessments and by reducing the likelihood of diagnostic bias. It is imperative to take steps to reduce diagnostic bias before the organisational diagnostic process begins, and using a tested model and instrument through quantitative method is one way of doing so.

Quantitative methods, and thus the *Positivist* approach, as well as *Deductive* reasoning were chosen as being the most appropriate for this study upon consideration of the epistemological and ontological viewpoints of the researcher. This is because the research will investigate the ways in which certain strategic marketing variables influence success within new ventures. Quantitative approaches will be useful for the

investigation of the relationships between the variables. In line with the positivist approach, the researcher utilised a value-free way of collecting data. This is done through the use of the survey method of data collection, during which the researcher essentially does not influence the process in any way. The quantitative method, based on utilising a questionnaire (Appendix II), created through adopting previously tested measures, is used for the study to gather data from the intended respondents (NES² entrepreneurs).

5.6 Research Procedures

As has been mentioned in the previous section, this study will be following a survey approach for the purpose of conducting research. A survey approach is usually associated with the deductive approach. The survey approach was chosen because this approach is most frequently used to answer who, what, where, how much and how many questions (Saunders *et al.*, 2007). It is a popular and common strategy in business and management research and tends to be used for exploratory and descriptive studies. It allows for the collection of a large amount of data from a sizeable population in a highly economical way. Survey research comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire or by structured interview on more than one case and at a single point in time. This is done in order to collect a body of quantifiable or quantitative data in connection with two or more variables, which are then examined to detect patterns of association (Bryman and Bell, 2007).

The survey approach is often administered using a questionnaire; a standardised way to collect data to allow for easy comparison between the responses from a relatively large sample of respondents. In addition, the survey is perceived as being reliable and convincing by people in general (Saunders *et al.*, 2007) and has the characteristics of being comparatively easy to explain and to understand. This is especially important to this study for the following reason. The respondents of this research (in turn, the people who will benefit from this study) are owner/managers; they are people who are/will be involved in the management of their own businesses. With consideration of the audience of this study, most people (i.e. owner/managers) are more familiar with research based on deductive reasoning (as it is a method adapted from scientific/natural sciences research,

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that has been established for a long time) and are much more likely to put faith in the conclusions emanating from the approach (Creswell, 1994). At the same time, the data collected using a survey strategy can be used to suggest relationships between variables and explain possible reasons for such relationships. This is in line with the main aim of this study, which is to assess the relationship between the role of marketing strategy and entrepreneurs in new ventures and explain the conditions in which such relationships become stronger. In addition, survey research provides the relative advantage of providing generalised results collected from a relatively larger sample.

5.6.1 Research Process

This research is conducted in six stages, which are illustrated in the figure 5.2 below and will be discussed in detail in the following sections.

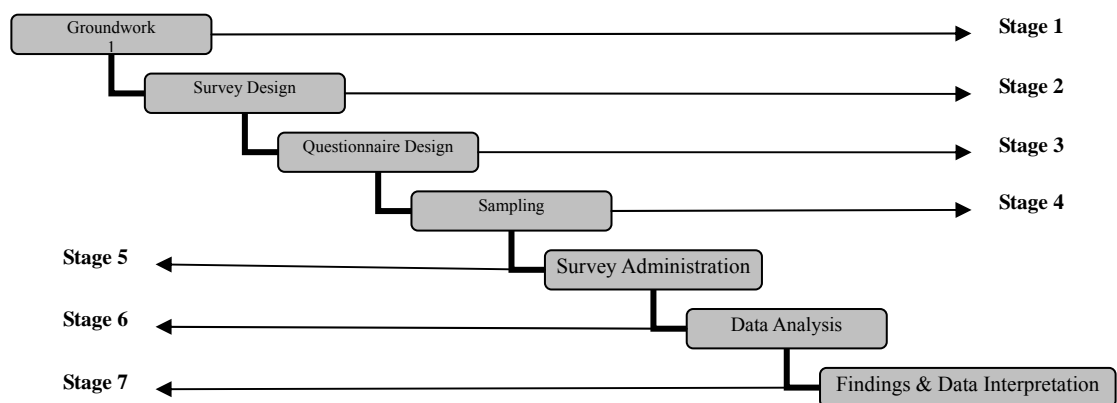


Figure 5.2: Steps in the Research Process

Stage 1: Groundwork

This is one of the main components to almost every research project, especially in this particular one because it is a deductive study and as such theory is the first and key step in this research (Robson, 2002; Bryman and Bell, 2007; Saunders *et al.*, 2007). In this stage, the researcher conducts an intensive literature review in order to achieve a clearer understanding of the topic under study. This is done through the *systematic review method*. A systematic way of reviewing the literature is used in order to present a substantially comprehensive review of the current knowledge on this topic. According to Pittaway, Robertson, Munir and Denyer (2004), a systematic approach to reviewing

allows the researcher to explore all aspects of the existing literature and empirical evidence. Therefore by adopting a systematic approach towards conducting this literature review, the researcher attempted to map the current knowledge on the topic under study. It is essential for the researcher to know the level of knowledge and relevant literature that is available; it also allows the researcher to identify the knowledge gap within the field. Therefore, through the use of the literature review, a conceptual framework as well as the research (figure 5.3) mentioned in the previous chapter, can be created, that describes the knowledge gap and subsequently hypotheses can be generated. It is essential that hypotheses that depict potential and/or possible relationships are proposed beforehand so that they can be tested through the analysis after data collection; this is the essence of utilising the deductive approach.

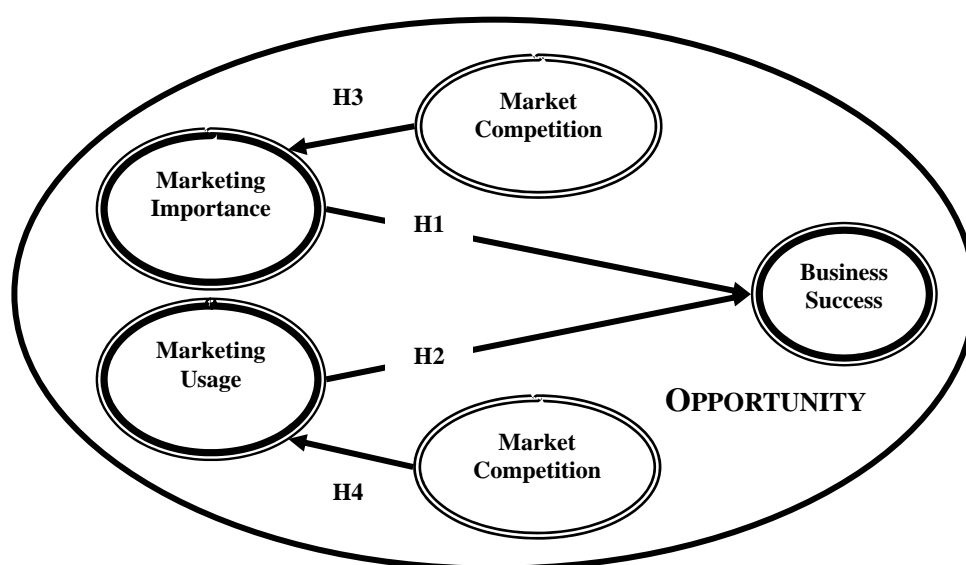


Figure 5.3: The Research Model

The research model illustrated above in figure 5.3 (also depicted in Chapter 1 and 4) was created through the following process:

Step 1: Opportunity as the basis of the model

The first step in the conceptual model creation was identifying that entrepreneurs need to be more skilled at exploiting opportunities for their best advantage. In order for the entrepreneurs to better capitalise on opportunities, the author argues that marketing activities should be used for this purpose. The efficient use of marketing activities can allow for the creation of competitive advantage as well as

generating sources of revenue which in turn allows for the survival and success of the venture.

Step 2: Marketing Activities and Business Success

This research argues that for an entrepreneurial venture to progress beyond the start-up stage, the entrepreneur needs to take into account the role of *marketing activities*, which make up the *marketing strategy*. The author believes that entrepreneurs do use marketing activities in the management of their business and that the entrepreneurs have their own unique style for marketing strategies that might not be formalised to the level of sophistication associated with marketing strategy in large firms. In order to identify the marketing activities that the entrepreneurs use, the author identified a comprehensive model of marketing strategy. Subsequently a list of pre-tested list of marketing measures for activities that matches those that makes up formal marketing strategy model are used to represent the concept of *marketing* in the conceptual model for this thesis. Here it is argued that the entrepreneurs do think that marketing activities are important and therefore are utilising marketing activities. The author also argues that the marketing used by the entrepreneurs has an impact of their business success which is represented by business performance in this research.

Step 3: Marketing Activities and Market Conditions

This research takes into account the possible impact of *market conditions* on the marketing strategy of firms. Market conditions refer to the level of market competition present in the market that the firm trades in. The author believes that during changes in the level of market competition, the entrepreneur might alter their marketing strategy in order to compete most efficiently or to counter the strategies of competitors within the industry. It is argued that differing levels of market competition will affect the entrepreneurs' perception of the importance of marketing activities and in turn affect the usage of the marketing activities. Therefore, this leads to the step whereby the influence of market competition on the perception and usage of marketing is accounted for, thus completing the conceptual model.

Gable (1994) suggested that for quantitative research to succeed in elucidating causal

relationships or in providing descriptive statistics, the survey instrument must ask the right questions in the right way. The researcher should have a good idea of the answers sought before starting the survey (Gable, 1994). At the same time, the researcher also looks at similar surveys that have been conducted in other studies. This is important from the point of view of the researcher because for purposes of validity it is beneficial to use measures within a survey that have been previously used by researchers who have conducted studies with similar measures. This allows the validity of the measures that will be used for this study to be verified prior to the collection of the primary data. As suggested by Curran and Blackburn (2001), previous questionnaires (from other researchers) can have implications that they have already managed to obtain the type of data they intended to collect unless indicated otherwise. This indicates that their measures were efficient and also valid, which is important in the design of a research instrument.

Stage 2: Survey Design

According to Nada and Larry (2004), quantitative research uses methods adopted from the physical sciences that are designed to ensure objectivity, generalisability and reliability. These techniques cover the ways that research participants are selected randomly from the study population in an unbiased manner, the standardised questionnaire or intervention they receive and the statistical methods used to test predetermined hypotheses regarding the relationships between specific variables. The researcher is considered external to the actual research, and results are expected to be replicable no matter who conducts the research. The strengths of the quantitative paradigm are that its methods produce quantifiable, reliable data that are usually generalisable to some larger population. Quantitative measures are also known to be most appropriate for conducting needs assessments or for evaluations comparing outcome data with the initial base-line data (i.e. data collected prior to the beginning of a program or receipt of service).

Sapsford (1999) posited that surveys involved systematic observation or systematic interviewing. Researchers asked the questions in the way they wanted them to be answered, and often they dictate the range of answers that may be given. Standardisation lies at the heart of survey research, and the whole point is to get consistent answers to consistent questions. However, Alvesson and Skoldberg (2000) argued that most surveys

are not just about describing populations but are to be used to test some hypotheses or to find out how one group differs from another. Therefore, a prime purpose of survey data is to make planned comparisons. Alvesson and Skoldberg (2000) suggested that comparison is the technology of survey research. For every question that needs answering on the basis of survey data, a researcher has to ask themselves whether a comparison of some sort will be involved and whether the comparison will be possible from the data that they are planning to collect.

Mail surveys generally have a number of strengths, including the ability to use a large sample, geographic coverage, the lack of interviewer bias, less respondent time pressure, the variety of questions that may be asked, possible respondent anonymity, and the low cost per respondent relative to personal surveys (Alpar and Spitzer, 1989; Gendall and Menelaou, 1996; Cavusgil and Elvey-Kirk, 1998). However, mail surveys have also potential weaknesses (Greer, Chuchinprakarn and Seshardi, 2000): the time needed to receive all responses, a high non-response rate, unclear instructions, the tendency for some item non-responses - where answers are left blank, incomplete answers, brief answers to open-ended questions, an impersonal approach, and respondent ability to control the order in which questions are answered. Greer *et al.* (2000) also indicated that for mail surveys, there is a lack of sequencing controls, question filtering can be inaccurate (if respondents misunderstand instructions or skip around) – this potentially can result in missing or incomplete answers. Although there is less time pressure on respondents than with surveys requiring human contact, mail survey cut-off dates are harder to enforce, the time taken to answer each question (and the overall survey) cannot be monitored, and no analysis of respondents that require two or more occasions to finish the survey can be done. Answers can be linked to demographics without having to ask for these data only if the questionnaires are pre-coded with respondent ID numbers. Greer *et al.* (2000) also suggested that it cannot be determined if a mail survey non-response means a mail panellist started a survey and abandoned it after a couple of questions, abandoned it after particularly difficult questions (such as lists of scales), or never looked at a survey. Furthermore, non-respondent characteristics can be studied with coded questionnaires.

Personal interviewing has several key strengths, including personal interaction, clear instructions, question variety, flexibility and adaptability, use of probing techniques,

ability to use physical stimuli, capability to observe respondents, and control over the survey environment. Authors (i.e Brennan, 1997; Alreck and Settle, 2004; Malhotra, 2004) stated that the potential weaknesses include interviewer bias, costs per respondent, limited sample size, geographic limitations, convenience sampling with questionable response rates (such as mall surveys), respondent time pressure, and the difficulty in getting demographics. Telephone surveys generally have several strengths, including the possibility of random sampling, good geographic coverage, cost savings from centralised phone banks and discount calling providers, control over the survey process, timeliness and completion speed, personal interaction, and technological enhancements for interviewers that ease data entry and reduce errors. Some of the major potential weaknesses include interviewer bias, the refusal of many people - leading to low response rates and non-representative samples, the need to be brief, a lack of respondent trust - often related to the unseen nature of interviewers, and an inability to use visual aids (Groves and Mathiowetz, 1984; Struebbe, Kernan and Grogan, 1986; Colombo, 2000; Goldstein and Jennings, 2002).

The advancement of technology has effectively revolutionised the way in which surveys are/can be administered - with the advent of the first e-mail surveys in the 1980s and the web-based surveys in the 1990s (Schonlau, Fricker and Elliott, 2001). While initial forays were fraught with technical difficulties and methodological hurdles, developments have begun to expose the medium's immense potential. The earliest online tools offered little more than the ability to deploy paper-based questionnaires to internet users. Tools and services are available with a wide range of feature sets at a wide range of price points. One or more of them are almost certain to meet the needs of any marketing research professional. One of the key benefits of online surveys is the fact that it can be administered in a time-efficient manner (Kannan, Chang and Whinston, 1998), effectively minimising the period it takes to get a survey into the field and for data collection. With the aid of the speed and global reach of the internet, this allows real-time access for interactions with geographically diverse respondent groups and information servers (Kannan *et al.*, 1998). Broadband access to the internet also assists in facilitating the transmission of multimedia content due to the speed of downloads, which enhances the scope and richness of online surveys. These factors have led to innovative internet-based techniques such as online focus groups, chat rooms, and bulletin boards; these participants interact with each other and the interviewer or facilitator in a

multimedia setting. Online surveys are flexible and can be conducted in several formats (Schonlau *et al.*, 2001): e-mail with embedded survey; e-mail with a link to a survey URL; visit to a web site by an internet surfer who is then invited to participate in a survey. Surveys can be in plain text or HTML³ (Hypertext Markup Language). In addition, they can easily be tailored to customer demographics, language, purchase experience, etc., by having multiple versions of a questionnaire. Each respondent sees only the pertinent questions. Eventually, when most of a society has internet access and is savvy, the basic drawback for the use of online survey research will disappear (Scholl, Mulders and Drent, 2002). The internet will then be an even more valuable tool to obtain information from respondents living in different parts of a country or around the world and at a lower cost.

- **Choice of Survey Method**

After the consideration of the various methods, it is decided that it is most appropriate to use both the web-survey and the postal survey method for this research. There are various reasons for this decision, which are as follows. In comparison to the interview method, the web-survey and the postal survey costs less in time and expenses, with consideration of the number of targeted responses to be more than two hundred. Both the web-survey method and the postal survey method will allow for a wide geographical coverage, which is essential for this research as it is a nation-wide study; this will not be feasible with the interview method as it will be costly in both time and expenses. In consideration of budget limitations, although it will be much more cost effective to use just one method, it was decided that using both the web-survey and postal survey will be able to enhance the response rates. At the same time, it is decided that by using both methods, the researcher will be able to reach the respondents who have no access to the internet, which is the main method for responding to web-surveys. It is believed that by only sending the postal surveys to targeted respondents who have no email addresses, the cost of administering the survey will be greatly reduced. Another benefit to using both the postal and web survey method is that the web survey can serve as a supplement to the postal survey method. The database of potential respondents was accumulated over a nine year period (Year: 2001-2008) and therefore presents a high probability that their postal addresses might have changed (e.g. moved house). This is especially relevant considering the higher rate of housing mobility among disadvantaged groups, particularly the young

3 HTML – Hypertext Markup Language: A set of markup symbols or codes inserted in a file intended for display on the World Wide Web.

people (Rouse and Boles, 2004); it is likely that some postal addresses were out of date. As a greater time had elapsed since collecting contact details from earlier cohorts of NES Scholars, it is probable that more members of these groups will have changed address, and so fewer of them will have received their postal questionnaires. However, email addresses are usually kept for a long period of time, and thus this can effectively enhance response rates by allowing those that might have moved and yet retained their email addresses to be contacted.

Stage 3: Questionnaire Design

In order to get the answers sought, the survey should ask the right question in the right way (Gable, 1994); in line with this statement, the survey for this piece of research was designed to address the key research questions that have emerged from the literature review. The research questions relevant to this study are presented in the *Conceptual Framework* chapter (Ref: Chapter 4). Questionnaires are known to be one of the most frequently used of all research instruments, but their construction might be more difficult than it first seems (Curran and Blackburn, 2001). The design of a questionnaire depends a lot on the topics and aims of the research, although there will be some broad principles, such as the appearance, which are exceptionally important to a *mail questionnaire* (Curran and Blackburn, 2001), which is the instrument for this current research. Therefore, the questionnaire for this research is printed with *colours* and *professionally produced* as compared to the usage of *plain* printed questions on *plain paper*. Furthermore, the design of the current questionnaire (Appendix II) also took into account the fact that minimising the number of questions and using shorter questionnaires can potentially help to maximise response rates (Curran and Blackburn, 2001).

One of the important issues suggested by Gill and Johnson (1997) with regard to the construction of the questionnaire is paying attention to three critical elements: *Focus*, *Wording* and the *Structure*. *Focus* refers to making sure that the questions will capture the data needed to test and explore the propositions and issues the research seeks to address. *Wording* refers to the way the question is being asked; it needs to be clear, and meaning should be unambiguous. *Wording* is exceptionally critical in this case because there is a need to ensure that the respondent has the ability to understand the questions and that there are no academic terminologies which the respondents may not be able to

understand. *Structure* refers to the internal ordering of the sections in the questionnaire; this includes the section that relate to the reiteration of confidentiality, as well as assurances of non-obligation. Another key issue here is with regard to the usage of *skipping patterns* (where respondents are requested to skip various questions and/or sections, which are not applicable) within questionnaires, too many skipped questions may serve to confuse the respondents.

- **The Questionnaire**

The data collection instrument used in this research is a *questionnaire* (Appendix II) formulated with reference to a framework⁴ that has been developed in the course of the research. The questions were formulated following the components within the framework *Components of the Marketing Strategy*. For purposes of validity, the measures are adapted from those that have been previously used or tested by researchers who have conducted similar studies or have used relevant measures. This allows the validity of the measures that will be used for this study to be verified prior to the collection of the primary data. Previous questionnaires (from other researchers) that include the relevant measures that can be used in the current research present the benefit of being used effectively to gather the data that they intended to collect (Curran and Blackburn, 2001).

The design of the questionnaire (Appendix II) followed the same principles used in the *Big NES Survey 2004* (Rouse and Boles, 2004) and the *NES Follow-up Survey 2006* (Jayawarna *et al.*, 2007), which included restrictions to the length of the questionnaire (no more than 8 pages – NES survey has 8 pages, the questionnaire (Appendix II) for this research has 6 pages), coloured prints, ‘brochure’ style and accessibility for Scholars with learning difficulties. In the first part of the questionnaire, the introduction to the survey was presented. It also includes the assurance of confidentiality, the contact details of the researcher as well as the web address to the web survey. On top of that, a lucky draw (prize: iPod) was also included for respondents who wish to participate in the draw. It is believed that a reward for participation can enhance the response rates of the survey. There are four main sections in the questionnaire, which includes *NES* related questions, the respondents’ demographics, the respondents’ business information as well as their marketing practices. The first section that is about *NES* is not included in the analysis;

4 Components of the Marketing Strategy - Saunders, J. and Wong, V. (1985).

this section, however, is included in the survey because a report will be generated for *NES* upon completion of research. The other three sections are all data that is used for the data analysis of this research.

For the web survey, it started with sourcing for a usable web survey portal, which is readily available online. The researcher took into account the accessibility issue with regard to whether the survey portal can be easily assessed by respondents. Another key aspect that is considered is the GUI⁵ (Graphic User Interface) of the web survey portal. This is important because non-user-friendly GUI will cause it to be difficult for the respondents to answer the questions. It is believed that such difficulties can be potentially damaging to response rates. Eventually, the web survey portal Survey Monkey⁶ is chosen as being the most appropriate for the research. Through the use of the pre-designed questionnaire templates, which were customisable, the same questionnaire that was used for the postal survey was recreated on the web survey portal and published online.

- **Pilot Testing**

It is essential to conduct a pilot study to test the questionnaire on respondents who should resemble as closely as possible to those who will participate in the main project (Curran and Blackburn, 2001). Such pilot testing on the questionnaires will almost always reveal shortcomings in terms of length, questions, form and wording, as well as on the structure. This is essentially one way of ensuring minimal errors and, in turn, maximising response rates. Therefore, the questionnaire was pilot tested and modified, prior to the actual distribution to the targeted respondents.

The pilot testing was conducted in three waves. The first test consisted of 14 respondents (NES entrepreneurs), and the second test consisted of 8 respondents. The first wave sought 14 NES Scholars who attended an event organised by the Centre for Enterprise⁷ at MMU (Manchester Metropolitan University) and were asked to complete the

⁵ GUI – Graphic User Interface: An interface for issuing commands to a computer utilising a pointing device (i.e. a mouse), that manipulates and activates graphical images.

⁶ Survey Monkey – Web Survey portal: <http://www.surveymonkey.com/>

⁷ Centre for Enterprise – Located within Manchester Metropolitan University, the centre's work includes bringing together business owners, policy-makers and academics who are interested in improving the environment for entrepreneurship and the competitiveness of individuals and firms. <http://www.mmucfe.co.uk/>

questionnaire and comment on its length, design, their interpretation of the questions and the possible reasons for non-responses. The NES Scholars commented that the questionnaire content is very relevant to them. However, some of the terms used in the questionnaire confused them, especially in the two similar questions that are on the *Importance* and *Usage* of marketing practices respectively. Several changes were made to the question wording and the questionnaire layout as a result of these pilot surveys. In the second wave, 8 NES scholars who attended a NES programme session at MMU were asked to comment (i.e. its length, design, their interpretation of the questions and the possible reasons for non-responses) on the questionnaire. Furthermore, they were asked to choose between two layouts (Portrait format or Landscape format). The second pilot test resulted in the choice of the *portrait format* and no more changes to the questionnaire itself. In the third wave, a group of fellow researchers were asked to complete the web survey and comment on its accessibility, design and ease of entering the data (responses to the question). This test did not highlight any problems.

- **Final Questionnaire – Constructs and Measures**

As mentioned in the previous chapter on the conceptual framework, the measures are selected in order to answer the main research questions and objectives of this research, which are as follows:

1. Do entrepreneurs view marketing as an important aspect in the management of their businesses?
2. Do entrepreneurs use marketing activities in the management of their business?
3. What type of marketing activities do entrepreneurs use?
4. Do the perceptions on the importance of marketing activities affect the usage of those activities?
5. Does the use of marketing activities have an impact on business performance?
6. Do the levels of market competition have an impact on the usage of marketing activities?

Table 5.2: Constructs and Measures

Research Questions		Measures
1	Importance of Marketing Activities	Frequency and Factor Analysis of Marketing Activities
2	Usage of Marketing Activities	Frequency and Factor Analysis of Marketing Activities

3	Types of Marketing Activities used	Frequency and Factor Analysis of Marketing Activities
4	Impact of Importance on Usage of Marketing Activities	T-Test between Importance and Usage of Marketing
5	Impact of Usage of Marketing on Business Performance	Multiple Regression Marketing and Business Performance
6	Impact of Market Competition on Usage of Marketing	Multiple Regression Marketing and Market Competition

As can be seen from table 5.2 above, each of the research questions has a set of measures specifically designed to provide the answers. In the *first* question, in order to assess the *importance of marketing activities*, there is a question designed with all twenty-nine of the marketing activities, on a Likert scale of 1(Not at all important) to 5(Very Important). For the *second* question, in order to assess the *usage of marketing activities*, a question designed on a similar basis to that of the importance question, based on a Likert scale of 1(*None*) to 5(*Very High*) was used. The measures for the second question can also be used to answer the *third* question on the *types of marketing activities* that are used.

Subsequently, for the *fourth* question, in order to assess the *impact of the perception of marketing on the usage of marketing*, each of the constructs on the importance of marketing activities was tested against the matching constructs on the usage of marketing activities. In order to answer the *fifth* question, the usage of marketing activities was regressed against the business performance construct in order assess the *impact of the usage of marketing activities on business performance*. Last, for the *sixth* question, the construct for market competition was used against the usage of marketing activities to assess the *impact of market competition on the usage of marketing activities*.

Stage 4: Sampling and Relevant Issues

Sampling is the process of selecting a few (a sample) from a bigger group (the sampling population) that forms the basis for estimating or predicting a fact, situation or outcome regarding the bigger group (Kumar, 1999). There are many types of sampling designs, including *Random/probability sampling designs*, *Non-random/probability sampling designs* and '*Mixed*' *sampling designs*. Within each group of designs, there are many sampling methods, including *Simple Random Sampling*, *Stratified Random Sampling*, *Cluster Sampling*, *Quota Sampling*, *Judgemental/Purposive Sampling*, *Accidental Sampling*, *Snowball Sampling* and *Systematic Sampling*. The importance of sampling to a quantitative study is also indicated by Curran and Blackburn (2001), who stated that many quantitative analytical procedures require a sample to be drawn systematically from a larger population whose members can be individually identified so that their

chances of being selected can be known precisely. However, they went on to suggest that this is not easily possible in the United Kingdom⁸ (UK) due to a lack of publicly available register of businesses. The research started with purposive sampling, where respondents are selected from a specific group related to the research purpose. One of the reasons for utilising this method of sample selection is to ensure that the targeted research population (2180) would have the ability to provide the necessary answers and data to answer the research questions. It is also most appropriate for this research, which is based on a group of NES entrepreneurs. Subsequently, random sampling is utilised to generate a smaller sample (1000) in consideration of budget limitations. The random sample was generated utilising the RNG (Random Number Generator) function in Microsoft Excel, to generate 1000 random numbers. These numbers were then used to extract 1000 random NES entrepreneurs from the database.

- **Research Population**

The research started with a total research population of approximately 2180 current and graduated national New Entrepreneur Scholarship (NES) programme scholars. It is necessary in quantitative studies to ensure that there are a sufficient number of respondents in order to allow the statistical analyses to produce un-biased results. Therefore it is essential to have a research population which is big enough to provide the targeted number of responses. The research population has to take into account the non-responses that can/will potentially occur. As suggested by Curran and Blackburn (2001), response rates can be highly dependent on various factors, such as *education levels* (people with higher educational levels tend to be more participative in research studies) and *job demands* (a job that requires high amounts of time commitment may not allow the target respondent time to participate in research studies).

- **NES Entrepreneurs**

NES, refers to the *New Entrepreneur Scholarships*. According to the description provided by NFEA (2006),

The New Entrepreneur Scholarships Programme (NES) helps people living in disadvantaged areas to start in business. People from disadvantaged areas and backgrounds often have the ideas and ambition to succeed in business, but many say they find it hard to find support and finance relevant to their needs. NES, which is funded by the Learning and Skills Council⁹ (LSC) and managed by the National Federation of

⁸ United Kingdom (UK) – Location of the Study.

⁹ Learning and Skills Council (LSC) - The LSC exists to make England better skilled and more competitive. We have a single goal: to improve the skills of England's young people and adults to make sure we have a workforce that is of

*Enterprise Agencies*¹⁰ (NFEA), *Association of Business Schools*¹¹ (ABS) and *Prince's Trust*¹², aims to overcome these difficulties by providing a comprehensive package of support, mentoring and funding in order to encourage and support the start-up and growth of new businesses. All business ideas within reason are supported, and social enterprise ideas are particularly welcomed.
Source: NFEA (2006)

Information provided by NFEA (2006) indicated that the idea for NES was born in 2000 during a series of high-profile Government meetings held at Windsor Castle (UK). The meetings discussed ways of redressing the imbalance of entrepreneurship across the country, particularly focusing on the role higher education should play in supporting potential entrepreneurs and ways in which traditional business support organisations could reach out to people who traditionally do not tend to use official business support services. The UK Government's commitment to increasing enterprise in disadvantaged communities and among groups currently under-represented in small enterprise is outlined in a formal policy document, the Government Action Plan for Small Business (SBS, 2004). There it is stated that the Government seeks to match levels of entrepreneurial activity in disadvantaged and under-represented groups with those of more affluent cohorts. Initiatives employed to pursue this goal include the NES programme, an initiative that provides support to people from disadvantaged areas and backgrounds to start a new business. NES has been championed by the Chancellor of the Exchequer as part of his regional regeneration and social inclusion agendas. Funded by the Learning and Skills Council (LSC) and operational in England only, NES has supported over 3,500 "Scholars" and was operational until the end of 2008. Management of the programme is contracted to a partnership led by the National Federation of Enterprise Agencies (NFEA) and includes the Association of Business Schools (ABS) and the Prince's Trust. The programme is administered through regional partners and delivered by a variety of local agencies. The NES programme is similar to other enterprise programmes currently operating in Britain (e.g. the Prince's Trust Business) in

world-class standards. We are responsible for planning and funding high-quality vocational education and training for everyone. (www.lsc.gov.uk)

10 National Federation of Enterprise Agencies (NFEA) - A network of independent, not for profit, Local Enterprise Agencies and similar organisations committed to responding to the needs of small and growing businesses by providing a range of appropriate quality services. In particular, but not exclusively, our members target pre-start, start-up and micro businesses and assist in building their ability to survive, to sustain themselves and to grow. (www.nfea.com)

11 Association of Business Schools (ABS) - The Association of Business Schools (ABS) is the representative body and authoritative voice for all the leading business schools of UK universities, higher education institutions and independent management colleges. (www.the-abs.org.uk)

12 Prince's Trust - We're a UK charity that helps young people overcome barriers and get their lives working. Through practical support including training, mentoring and financial assistance, we help 14-30 year olds realise their potential and transform their lives. We focus our efforts on those who've struggled at school, been in care, been in trouble with the law, or are long-term unemployed. (www.princes-trust.org.uk)

that it provides a modular package of pre-start-up guidance and training, start-up funding and on-going mentoring. The exact model of support varies regionally; one notable approach employs action learning sets to develop the social capital of participants (Taylor et al., 2004). NES Scholars are drawn from all ages and backgrounds but must live in areas defined as deprived – ranked up to 8,121 in the UK's Index of Multiple Deprivation (ODPM, 2004). The programme selection procedure also favours applicants from disadvantaged circumstances, who are judged to need programme assistance to make start-up a viable option.

The potential response rate is, although of critical importance, not the only issue that has to be taken into consideration prior to the actual process of data collection. One of the other main issues encountered is the ability to obtain, on a national level, the contact details of all the targeted respondents in order for the postal survey to be conducted. During discussions held with various NES personnel and researchers with regard to obtaining the contact details of the targeted respondents, it was discovered that the *Central Database* (NES), which was supposed to hold the data for all the NES students, was not regularly updated and maintained. This indicated that there is a high possibility that the information on the new NES students in the UK has not been updated into the database (i.e. new student details have not been entered into the database). At the same time, there is also a possibility that the details that are currently available in the database are prone to errors (e.g. new addresses caused by moving houses).

The other major issue was that there was a high possibility of having potential 'clashes' with another major NES survey that was conducted sometime in April to May 2006. During the discussions with the NES personnel and researchers, it was agreed that a parallel survey might have potentially negative impacts on the response rates to both studies.

Following extensive discussion held with all the relevant NES personnel as well as researchers, it was decided that the study will be conducted on a *National Level*, and scheduled to begin early in the year 2007. By allowing a time gap between the previous study and this one, it is believed that there will be positive impacts on the response rates of the study. The plan was to obtain the contact details of the respondents from the national database, after which the targeted respondents who have provided email

addresses will be sent email invitations to participate in the web-survey. Subsequently, those without email addresses will be sent postal questionnaires.

Stage 5: Survey Administration

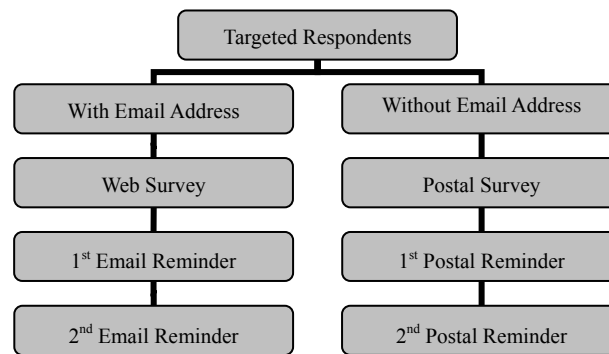


Figure 5.4: The Data Collection Process

As was previously mentioned, upon consideration of the various methods, it is decided to utilise a combined postal and web-survey methods for data collection in this research. The key reasons for using these ways to administer the survey is because of the economic benefits in terms of time and expenses, as well as being able to enhance response rates by supplementing the postal survey with the web survey as previously mentioned. These also take into account that the target number of responses is approximately 200, and can be costly in terms of time and expenses. The figure 5.4 provides an illustration of the process of data collection.

As was previously mentioned in *Stage 3*, there are two versions of the survey, printed and web survey. The data collection process begins with obtaining the contact details from the NES database. After gathering the contact details, an excel spreadsheet was created in order to sort the contact details available. This was done mainly to ensure that there are no duplicates within the database; which is highly possible. At the same time, the database was also created with an extra field to allow easy identification of respondents with email addresses and those without. As illustrated in the figure above, targeted respondents with email addresses were sent email invitations, which describes the purpose of the research as well as the potential benefits that it can produce, therefore requesting the help of the respondents to visit the website on which the web survey was

located. The targeted respondents without email addresses were sent postal surveys, with a similar cover letter to that provided for the email invitations. A replied paid envelope is included with each of the postal questionnaire that is sent out; this is done in order to increase potential response rates. Subsequently, email and postal reminders were sent out to those who did not respond to the web survey or postal survey two weeks after the first email and posted questionnaire. The second wave of reminders was sent two weeks after the first reminder.

Due to the issues encountered with the NES database errors, the research population is a database of 1577 NES entrepreneurs. Of these 1577 entrepreneurs, random sampling was performed to generate 1000 random respondents using the following RNG (Random Number Generator) function in excel.

$$= RAND() * 1000 \quad \text{Eq. 1}$$

Of the 1000 random respondents, 437 have email addresses. These were sent email invitations to participate in the web survey. Of these 437 contacts, 17% (N=73) responded. The rest (N=563) of the contacts were sent postal surveys, there were 172 (31%) responses. Within the total of 245 responses, response rate of 24.5%, 15 of the respondents were too early in their business development stage and were thus discarded, 14 of them has more than 50% missing data on the key question (i.e. Importance of Marketing Practices) and, and thus had to be excluded. The total number of responses used in the data analysis for this research is 216.

- **Non Response Bias**

It is essential to test for non-response bias for the data in order to assess whether the respondents are representative of the research population in general. Any survey has to be concerned with *non response bias*. Non-response bias refers to a situation in which people who don't return a questionnaire have opinions that are systematically different from the opinions of those who return their survey. One of the most common methods is to compare the means between two groups of respondents. For this purpose, the respondents were grouped into Postal (postal survey respondents) and e-Survey (web survey respondents). The means were compared through the use of *independent t-tests*. The results are presented in table 5.3.

Table 5.3: T-test results for non-response bias

		Independent Samples Test				
		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
		Lower	Upper	Lower	Upper	Lower
Gender	Equal variances assumed	1.527	0.218	-0.734	224	0.464
	Equal variances not assumed			-0.729	142.543	0.467
Ethnic Group	Equal variances assumed	0.134	0.715	0.037	224	0.971
	Equal variances not assumed			0.037	151.139	0.970
Academic	Equal variances assumed	0.375	0.541	-0.364	228	0.716
	Equal variances not assumed			-0.346	131.467	0.730
Age Range	Equal variances assumed	0.711	0.400	-1.787	228	0.075
	Equal variances not assumed			-1.727	136.904	0.086

As can be seen from table 5.3, the *Levene's Test* shows that the results are non-significant ($p > .05$) thus we must accept the null hypothesis that the difference between the variances is zero – the variances are roughly equal and the assumption is tenable. The *Levene's test* also establishes that the assumption of homogeneity of variances is met. The *t-test* results also shows p values greater than .05 and thus we conclude that there were no significant differences between the variances of the two means. This in turn indicates that there is no response bias for this data set.

Stage 6: Data Analysis

The data is statistically analysed with statistical packages; *Statistical Package for the Social Sciences*¹³ (SPSS) and AMOS¹⁴. Using a combination of add-on modules, extensions, and stand-alone software that work seamlessly with the base product enhances the capabilities of this statistics software. The intuitive interface makes it easy to use—yet it allows the user all of the data management, statistics, and reporting methods that is needed to do intensive toughest analysis. According to SSI (2006), during the last thirty years, the LISREL model, methods and software have become synonymous with structural equation modelling (SEM). SEM allows researchers in the social sciences, management sciences, behavioural sciences, biological sciences, educational sciences and other fields to empirically assess their theories. These theories are usually formulated as theoretical models for observed and latent (unobservable) variables. If data are

13 SPSS - A modular, tightly integrated, full-featured product line for the analytical process—planning, data collecting, data access, data management and preparation, data analysis, reporting, and deployment.

14 AMOS – A program for estimating the coefficients in a set of structural equations.

collected for the observed variables of the theoretical model, the LISREL program can be used to fit the model to the data. SPSS (2010) stated that Amos provides a powerful and easy-to-use structural equation modelling (SEM) software. It allows the user to create more realistic models than if standard multivariate statistics or multiple regression models by itself. Using Amos, it allows the user to estimate, assess, and present your model in an intuitive path diagram to show hypothesised relationships among variables. Amos enables you to build models that more realistically reflect complex relationships with the ability to use observed variables such as survey data or latent variables like “satisfaction” to predict any other numeric variable (SPSS, 2010). Structural equation modelling, sometimes called path analysis helps you gain additional insight into causal models and the strength of variable relationships. This programme has been known to be used in various research areas such as *Psychology, Medical and healthcare research, Social sciences, Educational research* and *Market research* (SPSS, 2010).

Structural Equation Modelling (SEM) is a technique that aims at investigating and confirming the use of a given model, based on a given hypothesis. Gefen, Straub and Boudreau (2000) indicated that structural equation modelling enables researchers to examine the structural component (path model) and measurement component (factor model) simultaneously. Bryman and Cramer (2001) explained that *Structural Equations* are equations which stipulate the structure of hypothesised relationships in a model. As mentioned by Shipley (2000), SEM models can be described in a general sense to be a representation of translations of a series of hypothesised cause-effect relationships between variables into a composite hypothesis concerning patterns of statistical dependencies. The relationships are indicated by parameters that show the magnitude of the effect (direct or indirect) that independent variables (either observed or latent) have on dependent variables (either observed or latent) (Hershberger, Marcoulides and Parramore, 2003). Latent variables are hypothetical or theoretical variables (constructs) that cannot be observed directly. Raykov and Marcoulides (2000) stated that researchers usually use a number of indicators or observable variables to examine the influence of a theoretical or latent variable. They went on to emphasise that multiple indicators should be used in order to obtain a more complete and reliable *picture* than that provided by a single indicator.

The data is entered into SPSS in order to allow the basic statistical analyses to be carried

out. After inputting the data, the database will be cleaned and checked for inconsistencies. The basic analyses include simple frequencies and other descriptive statistics as well as Exploratory Factor Analysis (EFA). Following this, the SPSS data is exported to the *Structural Equation Modelling* software, which in this case is AMOS. This is because AMOS is software that is technically compatible with SPSS, as it is produced by the same company. At the same time, it is felt that AMOS will be able to produce more visually recognisable models than that of LISREL. The main use of AMOS in this research is to perform Confirmatory Factor Analysis (CFA) on the factor groups in order to get reliable factor groups. The factor groups produced through EFA were thus confirmed through CFA and subsequently used for T-tests and Multiple Regression models through the use of SPSS.

Stage 7: Results and Data Interpretation

The results of the analyses are presented in this stage, with supporting tables and figures presenting the statistics. Subsequently the results are interpreted and discussed. Relevant literature is used in this discussion in order to explain the findings, and the research questions and hypotheses that have been stated in the *Conceptual Framework* chapter will be answered. At the same time, a summary of the results will be produced. Respondents of this study were given the option of requesting a copy of the results; this is the main reason for producing a separate summary of the results.

5.7 Summary

This chapter discussed the methods of research used for this particular study. Given the epistemological and ontological viewpoint of the researcher, it was concluded that *Deductive* reasoning and *Quantitative* methods, as well as the *Positivist* approach were the most appropriate. Data was collected in the form of a survey consisting of online and postal questionnaires, and statistical analyses were then performed on the data using *SPSS* and *AMOS*. The results of these analyses are presented in the following chapters.

CHAPTER 6: ANALYSIS I

6.0 Introduction

This chapter presents some preliminary statistical analyses of the research data from this study. This includes descriptive statistics (i.e. frequency, gender distribution, chi-square values) regarding the characteristics of the respondents for this research as well as their businesses and also the results of the Exploratory Factor Analysis (EFA) and the Confirmatory Factor Analysis (CFA). In the first part, the general demographics of the respondents is presented through the use of tables and statistics; subsequently, the same is done in the second part with regard to the respondents' business characteristics. The third part presents the results of the Exploratory Factor Analysis, and in the fourth part are the results of the Confirmatory Factor Analysis.

6.1 Research Procedures

Prior to the discussion on the preliminary statistics, this section presents the variables (measures) used for this research. There are two main groups of variables that will be used in the multivariate analyses performed; these groups are known as the *dependent* and *independent* variables. As previously mentioned (refer: Chapter 5), the data used for the analysis consists of the respondents' demographics, the respondents' business information, and their marketing practices.

6.1.1 Dependent Variables

In order to assess the growth potential of the businesses, two items on growth potential from Wiklund and Shepherd (2003) that relate to business employment growth were adopted. Respondents were asked to evaluate statements on employment growth on a *5-Point Likert scale* that ranges from 1 (Strongly Disagree) to 5 (Strongly Agree). Two items on growth intentions were adopted from Davidsson (1989) to assess the growth intentions for the businesses. Respondents were asked how much they with agree the statements on their preferred size of the business in 5 years in terms of employees and

sales turnover.

The respondents were also asked to rate their level of satisfaction (Jayawarna *et al.*, 2007) on each on a *5-Point Likert scale* that ranges from 1 (Totally Unsatisfied) to 5 (Totally Satisfied) based on five Business Performance Indicators (Sales Growth, Return on Sales, Cash Flow, Net Profits, Growth of the Business). Factor Analysis (EFA) was used to confirm (Cronbach $\alpha = .912$) that the five items do load onto one factor.

6.1.2 Independent Variables

With the intention of capturing the information regarding the human capital of the sample, the entrepreneurs' level of education, previous jobs and business management experience were measured. These variables were adopted from the *NES Follow-up Survey 2007* (Jayawarna *et al.*, 2007). Respondents were asked to report their highest level of education, and this data was then dummy coded, using "no formal educational qualifications" as the comparison category. With regard to job and business management experience, these data were captured through the use of dichotomous variables with values 1 (Has Experience) and 2 (No Experience).

The respondents were asked to rate how much they agree with five items (Large companies dominate the market; difference between firms in terms of product quality; customer service and marketing; untapped market potential; market is crowded; high growth development) that assess the level of market competition in their industry sector, scored on a *5-Point Likert scale*, that ranges from 1 (Strongly Disagree) to 5 (Strongly Agree). These measures were adopted from the *NES Follow-up Survey 2007* (Jayawarna *et al.*, 2007). Two of the items were reverse coded to 5 (Strongly Agree) to 1 (Strongly Disagree) in order to match the other three items in terms of the imputation of scale.

Items for the marketing practices section have been adopted from a previous study on marketing's contribution to business strategy (Slater and Olson, 2001). A total of 29 variables, forming a total of eight different constructs, were adopted. These 29 variables formed two of the key questions in the research that assessed how important each of the 29 marketing practices is to the entrepreneurs as well as how much the entrepreneurs used those practices in the management of their businesses. Respondents were asked how

much they agree with statements on employment growth, scored on a *5-Point Likert scale* that ranges from 1 (Not at All) to 5 (Very High). After the application of Factor Analysis (EFA), which is discussed in detail in the later sections, *Importance of Marketing Practices* is represented by 24 variables, making up seven constructs, and *Usage of Marketing Practices* is represented by 21 variables, making up six constructs. The data for product line and product innovation were placed together as one factor in the factor analysis, and thus they were summarised as one construct named *Product* for both *Importance* and *Usage*. The reliability tests show that the Cronbach α values of the constructs are all close to or above .7, except for Importance of Pricing.

6.2 Sample Profile

The total of 245 responses, was an overall response rate of 24.5%. Fifteen (15) of the respondents were too early in their business development stage and their responses were discarded on this basis. Fourteen (14) of the responses were missing more than 50% of data on the key question (i.e. Importance of Marketing Practices) and were excluded. The total number of responses used in the actual data analysis (i.e. Exploratory Factor Analysis, Confirmatory Factor Analysis and Multivariate Analysis) for this research is 216. However for this section of *Sample Profile*, there is no exclusion of respondents unless they omitted a response for that specific demographic/profile question. All respondents are NES scholars who are either currently (as of the date of survey) in the NES programme or have already completed the programme. This section details the demographic profiles of the respondents as well as the characteristics of their entrepreneurial businesses.

6.2.1 Respondents' Demographics

The sample is female dominated, with a total of ~57% females and ~42% males. The ratio of females to males is about 1.4 is to 1. This is similar to the general population graphics in the UK, which is about 1.1 to 1.4 females to 1 male according to the Office for National Statistics¹⁵.

¹⁵ Office for National Statistics - www.statistics.gov.uk

Table 6.1: *Entrepreneurs' Characteristics: Gender Distribution*

Entrepreneurs' Characteristics	No. of Responses			Statistic
	Total Respondents (n)	Female (%)	Male (%)	Chi-square
Age Range				2.841
Less than 25 years old	16	10	4	
25 to 40 years old	102	48	48	
41 to 55 years old	77	34	38	
More than 55 years old	18	8	10	
Ethnic Group				12.637*
White British	164	74	80	
White Non-British	3	6	3	
Asian British	9	2	10	
Asian Non-British	0	1	0	
Black British	4	8	4	
Black Non-British	1	2	1	
Others	2	8	2	
Academic Qualifications				1.868
Postgraduate Degree Level	38	19	17	
Degree Level	90	42	42	
A' or A/S Level	33	17	14	
GCSE or O' Level (A-C)	35	16	17	
No Academic Qualifications	17	6	11	
Vocational Qualifications				.069
YES	104	49	47	
NO	111	51	53	

* Significance ($p < .05$)

** Significance ($p < .01$)

Table 6.1 and 6.2 shows the statistics on the age of the entrepreneurs. The mean of the entrepreneurs' age is ~40 years old. Using the mean as a guide, female respondents seems to be slightly younger (58% <40 years compared to 52% for male). The males are less educated (11% had no academic qualifications and 53% had no vocational qualifications) than their female counterparts. There are more males (80% compared to 74% females) who are *White British*, a statistically significant difference in the relationship between genders with regard to the ethnic group ($\chi^2 = 12.637$, $p < .05$).

Table 6.2: *Entrepreneurs' Characteristics: Age in Years*

Age Variables	Mean	Standard Deviation	Frequency
Entrepreneur Age: Years	39.8178	10.91321	214

6.2.2 Reasons for Starting a Business & Business Management Experience

Respondents were asked about their reasons for starting a business, their experience with

regard to business management, and their previous job experience (table 6.3). In comparison, a higher percentage of males (41% males compared to 36% females) are economically active at the time of the survey. At the same time, one of the female entrepreneurs was both working as an employee at an outside job and being self-employed at the same time. Most of the males (96% males) have prior job experience, whereas only 88% of the females had prior job experience. This could be related to females usually having more difficulties handling both job and family responsibilities (i.e. find it hard to mix job and family), as can be seen in the responses. More females (10% females compared to 3% males) stated *find it hard to mix job and family* as a reason to start a business.

Table 6.3: Entrepreneurs' Experience: Gender Distribution

Entrepreneurs' Reasons and Experience	No. of Responses			Statistic
	Total Respondents	Female (%)	Male (%)	Chi-square
Status Before NES				.612
Economically Active	82	36	41	
Economically Inactive	133	64	59	
Job Experience				3.985 *
YES	195	88	96	
NO	18	12	4	
Family/Friends with Business Experience				
Parent(s) / Step-Parent(s)	49	16	20	1.131
Personal Partner / Spouse	15	7	3	2.053
Other Family Members	69	25	24	.012
Friend(s)	86	28	34	2.670
None of these	61	24	19	.881
SELF Ownership Experience				1.844
YES	48	19	26	
NO	129	61	59	
NO - But I have done some informal trading	37	19	15	
Reasons for starting a business				
Could not get a particular job	25	7	13	2.995
Could not get a well-paid job	35	11	17	3.000
Find it hard to mix job and family	17	10	3	5.160 *
Find it hard to work for others	22	7	10	1.137
Improve my status within the society	42	15	18	.800
None of these	115	50	39	1.527
Business Management Training before NES				
As part of an academic or vocational course	33	13	15	.265
Attended a short course	53	19	27	3.042
On-the-job training	48	21	19	.010
None of these	103	47	39	1.052

* Significance ($p < .05$)

** Significance ($p < .01$)

Slightly more females (48% females compared to 47% males) have one or more family members with business management experience. However, more males (34% males compared to 28% females) have friends with business management experience. This adds up to more males than females knowing one or more people with business management experience; in line with this, more males (61% males compared to 53% females) have had business management training before their participation in the NES programme. This could be related to the fact that they seem to have more exposure to personal contacts who have business management experience, and in turn, the males may have been more likely to be influenced. This may also be related to the fact that more males (26% males compared to 19% females) already have business management experience themselves prior to the NES programme.

6.3 Business Characteristics

This section describes the responses with regard to the business characteristics of the businesses studied in this research. Data related to the stage of the business development, industry sector, business age and available business resources will be discussed.

Entrepreneurs in the stage of developing the business plan, setting up the business and developing the business plan are considered as ‘in trading’ or ‘in the early stage of developing their businesses’ (table 6.4). They have thus been categorised as *In Operation* (92% of the sample), and those that have decided not to start the business as well as those that have closed the business are categorised as *Not In Operation* (8% of the sample). There are slightly more of the females (93% of the females compared to 91% males) who are in operation. The mean business age is ~17 months (table 6.5).

In accordance to the *UK Standard Industrial Classification of Economic Activities 2007 (Version: January, 2010)*, different economic activities have been categorised into 21 detailed categories. For the purpose of this research, these detailed categories have been merged into two main sectors (*Manufacturing & Manufacturing Related and Services*) with reference to a NES report by Jayawarna *et al.* (2007), as seen in the table 6.4. The dominance of the *service sector business* (78% of the respondents in this research) is very similar to that of the NES report sample (73% were in the service sector for the NES

report). The manufacturing and manufacturing related sector made up ~22% of this sample. In other words, these two samples (i.e. Current research sample and the NES report sample) are, in fact, similar in terms of representation of industrial sectors.

Table 6.4: Business Characteristics: Gender Distribution

Business Characteristics	No. of Responses			Statistic
	Total Respondents (n)	Female (%)	Male (%)	Chi-square
Stage in NES-Supported Business				.574
In Operation	198	93	91	
Not In Operation	17	7	9	
Business Sector: Production & Services				.130
Manufacturing & Manufacturing Related	41	9	4	
Services	162	91	96	
Main Business Objectives (Next 2 Years)				3.948
To grow rapidly	34	27	21	
To expand moderately	86	57	63	
To remain about the same size	18	13	12	
To downsize/consolidate the business	0	0	0	
To sell the business	1	1	0	
To close it down	2	1	1	
To hand on the business/succession	2	0	3	
Business Resources				
Business Partners	25	9	11	.812
Staff (Excluding Owner)	29	8	16	6.586*
Sub-Contractors	25	5	15	9.326**
Business Premises	52	23	19	.010
None of these	117	55	39	1.333

* Significance ($p < .05$)

** Significance ($p < .01$)

Table 6.5: Business Characteristics: Age in Months

Age Variables	Mean	Standard Deviation	Frequency
Business Age: Months	16.6023	19.30939	171

With regard to their main business objectives as a whole, ~84% of the sample stated that they have growth intentions while ~13% desire to remain the same size. Similar percentages of females (84% of the females) and males (84% of the males) expressed the intentions to expand their business, although more females (27% females compared to 21% males) are aiming for rapid growth while more males (63% males compared to 57% females) are aiming for moderate growth. A minority of the entrepreneurs (2% of the females and 4% of the males) stated that they intend to close the business down or hand on the business. Excluding those who stated that they do not have any of the business

resources (i.e. business partners, staff other than the owner, sub-contractors, business premises), more females (23%) than males (19%), which make up ~ 40% of the sample, do have business premises. More of the males (42% males compared to 22% females) have other resources, such as business partners, staff (excluding owner), sub-contractors.

6.3.1 Business Perceptions (Employment Growth)

The entrepreneurs were asked about their perceptions on the prospects for their business in five years time, specifically regarding the potential increase in employment (table 6.6). As a whole, ~38% of the sample is positive or very positive about having a *25% increase in employment in 5 years*, while ~29% have a negative or very negative about *25% increase in employment in 5 years*; the remaining expressed that they are neutral about that prospect.

Table 6.6: Business Perceptions

Business Perceptions	Responses (%)					Total
	Very Negative	Negative	Neutral	Positive	Very Positive	
25% Increase in Employment	16	13	33	26	12	100
100% Increase in Employment	15	6	31	23	24	100

About 24% of the entrepreneurs are very positive about having a *100% increase in employment in 5 years*, while ~23% of the entrepreneurs are positive about it. In comparison, more entrepreneurs seem positive (47% compared to 38%) about having a *100% increase in employment* than having just a *25% increase in employment*. This reflects the positive viewpoints of the entrepreneurs regarding their business growth. However, ~21% of the sample who perceived it to be negative or very negative chance that such a growth is possible.

6.3.2 Satisfaction on Business Performance

The entrepreneurs were asked to rate how satisfied they are with the current performance of the business in terms of sales growth, turnover, cash flow, drawings (wages from the business) and the new profits they make (table 6.7).

Table 6.7: Satisfaction on Business Performance

Satisfaction on Business Performance	Responses (%)					Total
	Totally Unsatisfied	Unsatisfied	Neutral	Satisfied	Totally Satisfied	
Sales Growth	7	19	29	35	10	100
Return On Sales	4	16	29	41	10	100
Cash Flow	5	31	25	30	8	100
Net Profits	6	31	26	30	6	100
Growth of the Business	6	17	28	40	9	100

Generally, it can be said that the majority of entrepreneurs are satisfied or very satisfied with the performance of their business, in terms of *Sales Growth* (45% positive, 26% negative), *Return on Sales* (51% positive, 20% negative), *Growth of the Business* (49% positive, 23% negative). However, in terms of cash related aspects, they seem to be less satisfied, as can be seen in *Cash Flow* (31% negative, 30% positive) and *Net Profits* (31% negative, 30% positive).

6.3.3 Market Condition of the Businesses

The entrepreneurs were asked to describe the market condition of the industry that they are competing in (table 6.8). About the same percentage of entrepreneurs (41%) are on both ends of the scale in terms of assessing whether or not large companies dominate the market they are in. For the entrepreneurs that strongly agree or agree that large companies dominate the market, it seems that these entrepreneurs might be in a relatively disadvantageous position since they are new business startups, which are small or even micro firms. A large majority (81%) of the entrepreneurs strongly agree or agree that there is a lot of difference between the firms in terms of product, service and marketing. This essentially relates to having strong market differentiation in the market that they serve, which is strongly beneficial to the entrepreneurs because it provides an advantage for their business. This advantage is critical, especially for entrepreneurs who are in markets that are dominated by large companies or that are too crowded by having too many competitors.

Table 6.8: Market Condition of the Businesses

Market Condition	Responses (%)					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Large Companies Dominate the Market	9	32	17	24	17	100
Difference btn Firms: Product/ Service/Marketing	2	3	13	53	28	100
Untapped Market Potential	30	46	19	4	1	100
Market is Crowded – Too many competitors	11	37	32	17	3	100
High Growth Industry	14	34	33	14	4	100

In terms of whether there is substantial untapped market potential in their market, a large majority of the entrepreneurs strongly disagree or disagree that this is true for their business. In other words, this seems to indicate that these entrepreneurs have businesses that only have limited market potential, which again seems to put the entrepreneurs in a disadvantageous position. More of the entrepreneurs (48% compared to 20%) strongly disagree or disagree that their market is overcrowded or that they have limited market opportunity. This suggests that over ~20% of the entrepreneurs have to face high competition in their markets. On the aspect of their businesses being in a high growth industry, ~48% strongly disagree or disagree that they are in a high growth industry, while ~18% strongly agree or agree that they are in industries with high growth.

6.4 Data Screening

The main analysis for this research employs multivariate techniques which, by their very nature, identify complex relationships that are difficult to represent simply. In turn, the tendency for researchers is to accept the results without the typical examination one undertakes in univariate or bivariate (pairs of variables) analyses. Therefore, multivariate analyses require a more rigorous examination of data because the influence of outliers, missing data and violations of assumptions can be compounded across several variables to create substantial effects. This is the reason why in this research it is deemed essential to examine the dataset in a more rigorous manner. In the following section, the discussion will be focusing on the various data screening (examination of the data) steps used for the research data collected. The two main steps in this section are the *evaluation of missing data* and *identification of outliers*.

6.4.1 Evaluation of Missing Data

Missing data is a common problem when dealing with research data. It primarily results from errors in data collection or data entry or from omissions of answers by respondents. There are a series of steps one can take in the management of missing data, and it is essential to identify the impacts of missing data and provide remedies for dealing with it in the analysis. The practical impact of missing data is the reduction of the sample size available for analysis (Hair, Black, Babin, Anderson and Tatham, 2006). Furthermore, from a substantive perspective, any statistical results based on data with a non-random missing data process could be biased. This ‘bias’ occurs when the missing data process causes certain data to be missing and these missing data lead to erroneous results. Some missing data are ignorable and have been accounted for in the research design, such as those from questions that are not applicable to all respondents; these missing data were not remedied. The first step in the management of missing data is determining the extent and patterns of missing data.

Within the total of 245 responses (original dataset), a response rate of 24.5%, 15 of the respondents were too early in their business development stage and were thus discarded. There are a total of 68 key variables (Dependent and Independent) in the format of the typical 5-level Likert-scale that were included in the analysis. Through the use of the *Missing Value Analysis (MVA)* function in SPSS, the missing data in the dataset was analysed. Firstly, the use of *Patterns Analysis* within was used to assess the responses in the one of the most important questions in the questionnaire, which is on the *Importance of Marketing Practices*. This question is critical to the questionnaire and should not have missing responses because it is not affected by any *skipping patterns* in the questionnaire that can make the question *Not Applicable*. Fourteen (6% of total sample size) cases were identified as having more than 50% missing data for that question and were thus discarded from the dataset. This brought the total number of admissible responses to 216.

Table 6.9: Missing Value Analysis

Missing Data	Number of Respondents	% of Missing Data
1	5	1.47
2	1	2.94
5	68	7.35
6	2	8.82
Total Number of Respondents	76	

With the criterion that any variables with more than 15% of cases with missing data are candidates for deletion (Hair *et al.*, 2006), the *Pattern Analysis* was performed again with results as shown in table 6.9. Subsequently, the randomness of the missing data was assessed through the use of the *Little's MCAR* test in MVA. The *Little's MCAR* test indicated a non-significant value ($p = .971$). For this reason, any type of imputation method can be applied to the dataset in order to deal with the missing data (Black, 1999). Further deletion was not considered to be appropriate for this dataset because it would reduce the sample size further to 140, which will cause the sample size to be too small for multivariate analysis. The missing data imputation was done through using *replacement values – mean substitution*. This is one of the most commonly used methods: it replaces the missing values for a variable with the mean value of that variable calculated from all valid responses. The rationale of this approach is that the mean is the best single replacement value; it is easy to implement and provides all cases with complete information. Although it has disadvantages, due to the small number of missing values that has to be replaced in this data set, they are negligible.

6.4.2 Identification of Outliers

Outliers are extreme responses that may unduly influence the outcome of any multivariate analysis; they basically lie outside of the overall pattern of distribution of any data set. Practically, an outlier can have a marked effect on any type of empirical analysis. In substantive terms, the outlier must be viewed in light of how representative it is of the population.

There are many ways in which outliers can be detected, such as by using graphs (e.g. scatterplot or boxplot) or through calculating the Mahalanobis distance. The Mahalanobis D^2 measure is a multivariate assessment of each observation across a set of variables (Hair *et al.*, 2006). This method measure each observation's distance in multidimensional space from the mean centre of all observations, providing a single value for all observations across a set of variables no matter how many variables are considered. For interpretative purposes, the Mahalanobis D^2 measure has statistical properties that allow for significance testing. The D^2 measure divided by the degree of freedom involved (D^2/df) is approximately distributed as a t -value. Given the nature of the statistical tests, it

is suggested that conservative levels of significance (e.g. .005 or .001) be used as a threshold value for designation as an outlier. This corresponds to observations having a D^2/df value exceeding 2.5 in small samples (80 or fewer observations) and exceeding 3 or 4 in large samples.

A different method of detecting outliers is by converting the data in the data set into standardised scores (Z-scores) (Hair *et al.*, 2006). The identification of outliers examines the distribution of observations for each variable in the analysis and selects as outliers those cases falling at the outer ranges (high or low) of the distribution. The typical approach first converts the data values to z-scores, which have a mean of 0 and a standard deviation of 1. Because this allows the values to be expressed in a standardised format, comparisons can be made easily. For small samples (80 or fewer observations), outliers typically are defined as cases with standard scores of magnitude 2.5 or greater. For larger samples sizes, the threshold value for standard scores should be increased to 4.

In the present study, the data from the variables used in the analysis were first converted to z-scores. In line with the recommendation of Hair *et al.* (2006) for a sample size larger than 80 (this data has a sample size of 230), the cut-off threshold value was increased to 4. The examination of the standard scores indicated 20 variables with cases of outliers (standard score exceeding the -4.0 or 4.0 regions). Nevertheless, the effect of the violation of this assumption was found to be marginal, and it has been emphasised that outliers should be retained unless there is theoretical justification to indicate that such an outlier is not representative of any observations in the population (Garson, 2010). Further, using the Mahalanobis D^2 measure, the D^2/df value was assessed; there was one case with a value at 2.57, which is slightly above the lowest cut-off value of 2.5 (for sample size <80); however, all the values were below 4, which is an appropriate cut-off value for this sample size (Field, 2005). Thus, we can say that there are no significant outliers in this data set.

6.5 Testing of the Assumptions underlying Multivariate Techniques

It is necessary to test the fit of the sample data with the statistical assumptions underlying most multivariate techniques. The need to test the statistical assumptions is important in multivariate applications because of two characteristics of multivariate analysis (Hair *et*

al., 2006). Firstly, the complexity of the relationships, owing to the typical use of a large number of variables, makes the potential distortions and biases more potent when the assumptions are violated, particularly when the violations compound to become even more detrimental than if considered separately. Secondly, the complexity of the analyses and results may mask the indicators of assumption violations apparent in the simpler univariate analyses. In most cases, the multivariate procedures will estimate the multivariate model and produce results even when the assumptions are severely violated; therefore, the researcher must be more conservative in estimation of any assumption violations. In regression analysis, it is essential to test the assumptions of normality, homoscedasticity, multicollinearity, independence of error, and linearity.

6.5.1 Normality

This is one of the most fundamental assumptions in multivariate analysis; *normality* refers to the shape of the data distribution for an individual metric variable and its correspondence to the normal distribution, a standard benchmark for statistical methods. If the variation from the normal distribution is sufficiently large, all resulting statistical tests are invalid because normality is required to use the *F* and *t* statistics (Hair *et al.*, 2006). However, it should be noted that normality can have serious effects in small samples (less than 50 cases), but the impact effectively diminishes when sample sizes reach 200 cases or more.

Normality can be tested in two general ways: through graphical analyses (i.e. by a normal probability plot) and statistical tests (i.e. assessing the *skewness* and *kurtosis values*). Both of the methods are applied to the current dataset. A variable is said to have violated the normality assumption if the skewness of data has an absolute value greater than 3 or greater than 10 for kurtosis. Before the application of *Missing Value Analysis* and *Missing Data Imputation* (see section 6.4.1) four variables were detected as having both *skewness* and *kurtosis* issues. However, after the application of the missing data imputation, only one variable is detected as having both skewness (skewness value of -3.16) and kurtosis (kurtosis value of 14.687) issues.

Subsequently, in line with the normality requirements for regression analysis, the normality of residuals is tested with a visual examination of the normal probability plot

(i.e. points should lie along or adjacent to the diagonal line) as well as a histogram of the standardised residual (with comparison to the shape of normal distribution) (Kinnear and Gray, 2004). The application of statistical method requires the selection of a single dependent variable to test against a range of independent variables; therefore, the key dependent variable *Business Performance* construct (five items) was computed to create an aggregated variable that can be used as the single dependent variable in the test. Factor analysis (Principal Component Analysis with Varimax Rotation) was also applied to ensure that the five items do load into the same construct; the result indicates that only one factor was extracted that explains 73.9% of the variance, indicating unidimensionality. The Cronbach's Alpha also indicated high reliability at .912.

The histogram of the residuals indicated a shape close to normal distribution (figure 6.1), although it indicated a slight kurtosis on the distribution. Similarly this slight kurtosis can be seen in the cumulative normal probability plot below (figure 6.2), with the points not situated perfectly along or adjacent to the diagonal line. However, as a whole, both the histogram and the cumulative normal probability plot indicated distributions close to normality. With the consideration that it is not likely to have a perfectly normal distribution of data, this dataset is assumed to be suitable for analysis.

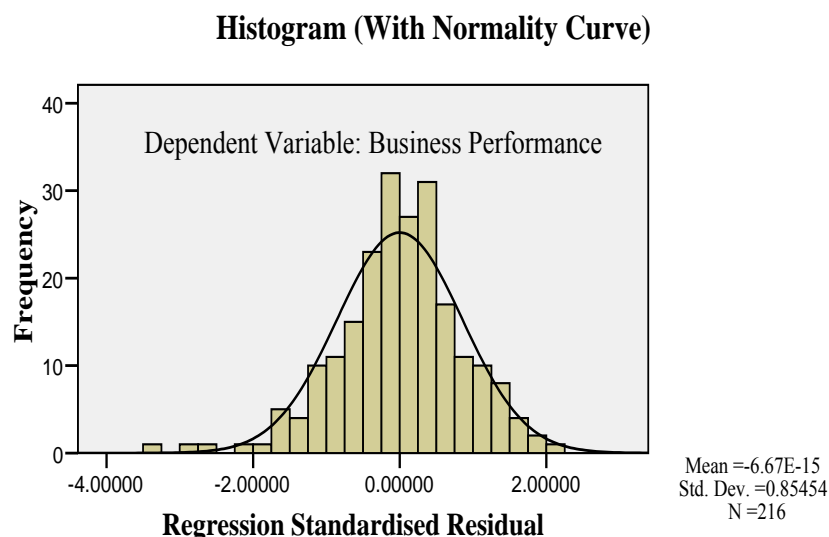


Figure 6.1: Histogram of the Standardised Residuals: Business Performance as Dependent Variable

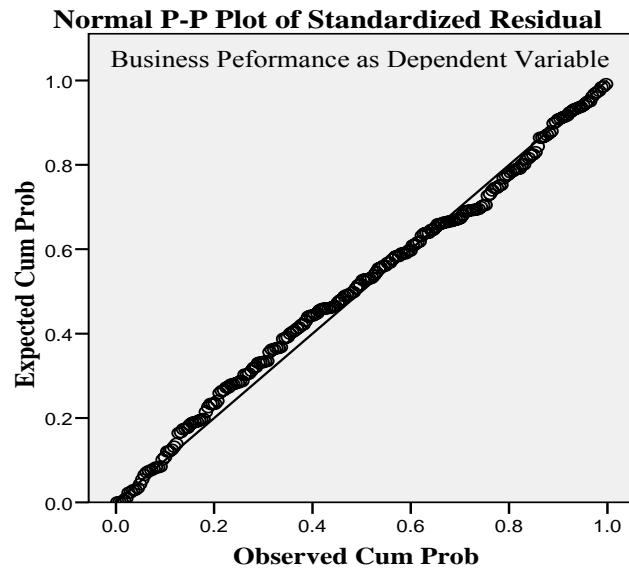


Figure 6.2: Cumulative Normal Probability Plot of the Standardised Residuals: Business Performance as Dependent Variable

6.5.2 Homoscedasticity

Homoscedasticity, also known as the *Homogeneity of Variance*, is another assumption in *Regression* (Multivariate Analysis) that has to be assessed. This assumption means that as one goes through levels of one variable, the variance of the other should not change (Field, 2005). In groups of data, this means that the variance of the outcome variable or variables should be the same in each of these groups. In continuous data (such as in correlational designs), this assumption means that the variance of one variable should be stable at all levels of the other variable.

In the previous chapter (refer: Chapter 5, Section 5.7) on the section about *non response bias*, the *Levene's Test* was performed in order to assess the possibility of non-response bias. Another benefit of performing that test is that it essentially allows for the testing of the homoscedasticity or homogeneity of variances. As previously mentioned, the *Levene's Test* shows that the results are non-significant ($p > .05$), and thus we must accept the null hypothesis that the difference between the variances is zero: the variances are roughly equal, and the assumption is tenable. In other words, this test establishes that this assumption of homogeneity of variances is met for this data set.

6.5.3 Linearity

Linearity is the assumption that the mean values of the outcome variable for each increment of the predictor(s) lie along a straight line, which means that it is assumed that the relationship we are modelling is a linear one (Field, 2005). Testing for nonlinearity is necessary because correlation, regression and other results of the general linear model (GLM) assume linearity. The ways to test for linearity includes *graphical method* as well as checking the *F-statistics*. If the F-significance value is above the critical value of .5, then there is no significant non-linearity.

By plotting the graph of *ZRESID¹⁶ (*the standardised residuals*, or errors) against the graph of *ZPRED¹⁷ (*the standardised predicted values* of the dependent variable based on the model), one can check for Homogeneity of Variance and Linearity. The graphs mostly look like a random array of dots and thus indicates that the data set does not violate the assumptions of Homogeneity of Variance and Linearity. Furthermore, the F-statistic indicated a linear relationship ($p > .05$).

6.5.4 Multicollinearity

Multicollinearity in multivariate analysis refers to an unacceptably high level of inter-correlation among the independent variables, such that the effects of the independent variables cannot be separated. When multicollinearity exists, estimates are unbiased but assessment of the relative strength of the explanatory variables and their joint effect becomes unreliable (Garson, 2010). Multicollinearity was assessed through the use of the *Tolerance* and *Variance inflation factor (VIF)*. These values are derived from the collinearity diagnostics statistics.

The cut-off point is usually $> .20$ for *tolerance* values, which implies that any independent variables that have tolerance values that is less than .20, should be dropped from the analysis due to multicollinearity. The lowest tolerance value for this dataset is .328. The rule of thumb for the *VIF* value is that multicollinearity becomes a problem when $VIF >$

¹⁶ These values are the standardised differences between the observed data and the values that the model predicts.

¹⁷ These values are the standardised forms of the values predicted by the model.

4.0. The highest calculated VIF value is 3.044, which is lesser than the cutoff point of 4.0. Therefore, these results indicate that there is no presence of multicollinearity issues.

6.5.5 Absence of Correlated Errors

The *Durbin-Watson* coefficient is a test that uses standardized residuals and can be used to test the independence of observations that are assumed by many statistical procedures, including multiple and logistic regression. This assumption is likely to be met if the Durbin-Watson statistic is close to 2 (and between 1 and 3) (Field, 2005). The statistic is at 1.776, thus implying that this assumption is met and that there is no issue with regard to the independence of observations.

6.6 Multivariate Technique Part I: Exploratory Factor Analysis (EFA)

This is the first step that was taken in the application of multivariate analysis in this research. Factor analysis is an independence technique; its primary purpose is to define the underlying structure among the variables in the analysis. Variables play a key role in any multivariate analysis (Hair *et al.*, 2006). It plays a unique role in the application of other multivariate techniques by providing the tools for analyzing the structure of the interrelationships (correlations) among a large number of variables by defining sets of variables that are highly interrelated, known as factors.

These factors (groups of variables) are, by definition, highly interrelated and are assumed to represent dimensions within the data. If the concern was just to reduce the number of variables, then the dimensions can guide in creating new composite measures. On the other hand, if we have a conceptual basis for understanding the relationships between the variables, then the dimensions may actually have meanings to what they collectively represent. The latter description is the reason why *Factor Analysis* (Exploratory form) is used in this research. The variables used for this research are pre-tested measures that have been adopted from previous studies.

6.6.1 Objectives of Exploratory Factor Analysis

There are two main objectives that are possible in factor analysis: *data summarisation* and *data reduction*. The objective in this case is data summarisation. The fundamental concept in summarisation is the identification of structure. Through the structure, the researcher can view the set of variables at various levels of generalisation, ranging from the most detailed level (individual variables themselves) to the more generalised level, where individual variables are grouped and then viewed not for what they represent individually but for what they represent collectively in expressing a concept (Hair *et al.*, 2006). It is an excellent starting point for many other multivariate techniques because it provides an insight into the interrelationships among variables and the underlying structure of the data. In terms of data summarisation, factor analysis provides the researcher with a clear understanding of which variables may act in concert and how many variables may actually be expected to have impact in the analysis.

6.6.2 Design of Exploratory Factor Analysis

This analysis focuses on data summarisation, in other words, categorising the variables into groups (factors). The main variables that are used in the analysis consisted of two groups of 29 key variables. These two groups of variables are basically the same except that they are asked in two different ways (i.e. Importance and Usage). Therefore it was decided that they should be separated into two different blocks in terms of factor analysis because they represent different perceptions.

All of the variables are metric variables, and this is in line with the fact that factor analysis is most often performed only on metric variables. The metric variables meets the primary requirement of factor analysis; this will allow a correlation value to be calculated among the variables. In contrast to non-metric variables, metric variables are easily measured by several types of correlations. Literature has stated that the sample size must have more observations than variables, and the minimum sample size should be 50 observations (Hair *et al.*, 2006). With a sample size of 216 (after data treatment and deletion), this research sample has met the minimum requirements for conducting a factor analysis.

6.6.3 Assumptions in Exploratory Factor Analysis

The critical assumptions underlying factor analysis are more conceptual than statistical; the focus here is on the character and composition of the variables included in the analysis. This relates to the set of variables selected and the sample chosen. A basic assumption is that there is *some underlying structure* that *exists* in the set of selected variables used in the analysis. This means that the researcher should ensure that a strong conceptual foundation exists to support the assumption that a structure does exist before the factor analysis is performed (Hair *et al.*, 2006).

Due to the fact that the variables were basically adopted from previously tested constructs and measures, there is already a strong conceptual foundation that can essentially support the assumption that a structure does exist prior to the application of factor analysis. However, it is also essential to ensure that the variables are sufficiently inter-correlated to produce representative factors. These different assumptions are tested for both groups; the results are as follows.

The correlation matrices were checked for any variable, with a majority of values greater than .05. Then, the correlation coefficients were scanned for values greater than .9 (if $r > .9$, the variables correlate too highly). Although there are a few values over .05 in the correlation matrix, there are no values greater than .9 in the correlation coefficients. Therefore, we can be confident that this data set does not have the problem of multicollinearity (Field, 2005). In addition, in the previous section, we have also assessed multicollinearity through the use of the tolerance ($>.20$) and VIF (<4.0) value, neither of which indicates any multicollinearity issues.

The *Kaiser-Meyer-Olkin measure of sampling adequacy (KMO)* and *Bartlette's test of Sphericity* was performed. The *KMO* can be calculated for individual and multiple variables and represents the ratio of the squared correlation between variables to the squared partial correlation between variables. The *KMO* statistic varies between 0 and 1. A value of 0 indicates that the sum of partial correlations is large relative to the sum of correlations, indicating diffusion in the pattern of correlations, and therefore that factor analysis is likely to be inappropriate. A value close to 1 indicates that patterns of correlations are relatively compact, and so factor analysis should yield distinct and

reliable factors (Field, 2005). Kaiser (1974) recommends a bare minimum of .5 and states that values between .5 and .7 are mediocre, values between .7 and .8 are good, values between .8 and .9 are great and values above .9 are superb. For this set of data, the value is .818 (Importance) and .856 (Usage), and so they fall into the ‘Great’ level. We can be confident that factor analysis is appropriate for these data.

The *Bartlette’s test of sphericity* tests the null hypothesis that the original correlation matrix is an identity matrix. For factor analysis to work, we need some relationship between variables, and if the *R*-matrix (i.e. a correlation matrix; a table of correlation coefficients between pairs of variables, or questions)¹⁸ were an identity matrix then all correlation coefficients would be zero (Field, 2005). Therefore, this test of sphericity needs to be significant (i.e. a significant value less than .05). A significant test result tells us that the *R*-matrix is not an identity matrix; therefore, there are some relationships between the variables we hope to include in the analysis (Field, 2005). For this data set, the *Bartlett’s test* is highly significant ($p < .000$) for both *Importance* and *Usage*; therefore, factor analysis is appropriate.

6.6.4 Factor Extraction

The next step in factor analysis is making the decision on how many factors to extract. By Kaiser (1974) criterion, we should retain factors with eigenvalues greater than 1, and this is what SPSS produces by default. However, this criterion is most accurate when there are less than 30 variables and communalities after extraction are greater than .7 or when sample size exceeds 250 and the average communality is greater than .6. Although Jolliffe (1986) reports that Kaiser’s criterion is too strict and that one should retain factors of eigenvalues more than .7, out of an abundance of caution this research still adopted Kaiser’s criterion.

¹⁸ *R*-matrix – This matrix is called an *R*-matrix, because it contains correlation coefficients and *r* usually denotes Pearson’s correlation, the *r* turns into *R* when it denotes a matrix.

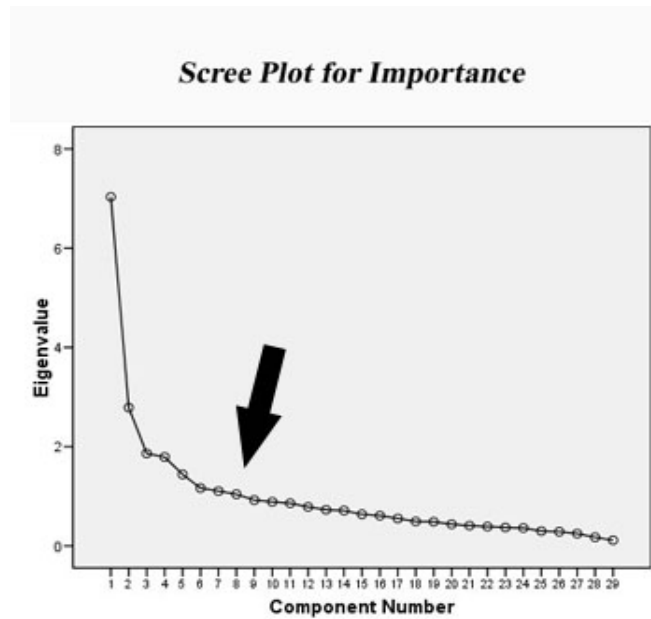


Figure 6.3: Scree Plot for Importance Factors

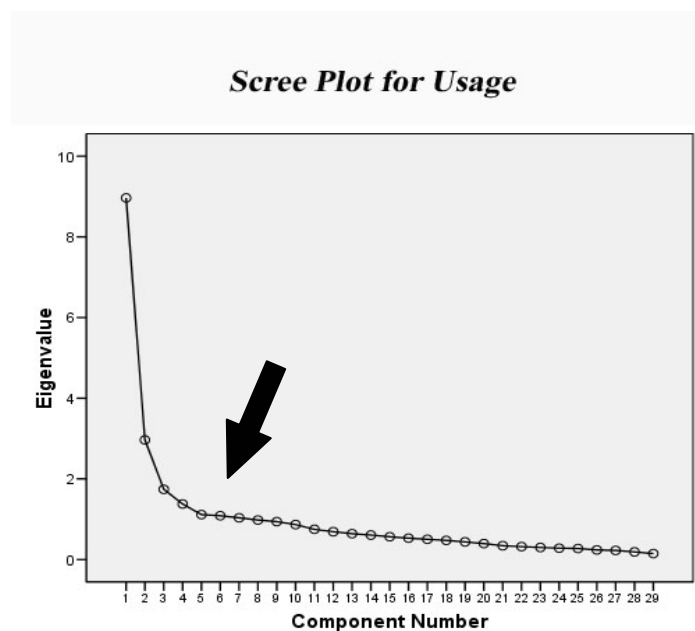


Figure 6.4: Scree Plot for Usage Factors

One of the technique advocated by Cattell (1996) is to use the *scree plot* (example: Figure 6.3 and 6.4) that can be generated by SPSS; this is a graph that plots each eigenvalue (Y-axis) against the factor with which it is associated (X-axis). For a sample of more than 200 participants, the *scree plot* provides a fairly reliable criterion for factor selection (Stevens, 1992; Field, 2005). Cattell (1996) indicated that the cut-off point for selecting factors should be at the point of inflexion of this curve.

Using the *scree plot* technique, it can be seen that the inflexion point for *Importance* (figure 6.3) allows for at least 8 factors, and the inflexion point for *Usage* (figure 6.4) allows for at least 9 factors. The SPSS analysis generated 8 factors for *Importance* and 7 factors for *Usage*. With the guide provided by the *scree plots*, it is decided that the number of factors generated by SPSS Principal Component Analysis following the Kaiser criteria are acceptable. This decision was also made in relation to the theoretical constructs that served as a basis for this study. The factors generated fit closely the original, theoretical constructs that were used.

The reproduced correlation matrix contains the correlation coefficients between all of the questions based on the factor model. This allows us to check for the model fit. According to Field (2005), a good model will have small values; most values should be less than .05 in the correlation reproduced correlation matrix. SPSS also produces the *non-redundant residuals* with absolute values less than .05. For this data, there are 133 residuals (32%) greater than .05 for *Importance* and 138 residuals (33%) greater than .05 for *Usage*. Thus, there are no significant model fit issues for this data set since most (~70%) of the values are less than .05.

6.6.5 Factor Rotation

This analysis was done using *Orthogonal rotation (Varimax)*. The minimum loadings cut-off point was set at .4. The original logic behind suppressing values less than .4 was based on Stevens' (1992) suggestion that this cut-off point was appropriate for interpretative purposes; loadings greater than .4 represent substantive (i.e. substantial, considerable) values. The next step is to look at the content of the variables that load onto the same factor to try and identify common themes and eventually allow the identification of the constructs.

6.6.6 Factor Reliability

Reliability tests can be used to validate a questionnaire; these tests check that a scale consistently reflects the construct that it is measuring (Field, 2005). The reliability of the constructs was checked through the use of Cronbach's alpha (α), which is the most

common measure of scale reliability. Cronbach's alpha reliability coefficients normally range between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale. George and Mallery (2003, p. 231) provide the following rules of thumb when checking the Cronbach α value: ' $\alpha > .9$ – *Excellent*, $\alpha > .8$ – *Good*, $\alpha > .7$ – *Acceptable*, $\alpha > .6$ – *Questionable*, $\alpha > .5$ – *Poor*, and $\alpha < .5$ – *Unacceptable*'. Kline (1999) notes that although the generally accepted value of .8 is appropriate for cognitive tests, for ability tests a cut-off point of .7 is more suitable and when dealing with diverse constructs, values below .7 are realistically to be expected.

6.6.7 Factor Solution

Table 6.10, presents the factor solution for the *Importance of Marketing* that was arrived at through the use of SPSS analysis function.

The initial result consists of 29 variables grouped into 8 factors. Upon comparison to the initial theoretical constructs (groups), it was discovered that the factor solution closely resembles the original 8 theoretical constructs that were used for the study. Upon matching the variables from the theoretical constructs to the factor solution, it was discovered that 5 of the variables were not loading correctly into their factor groups. These variables were consequently deleted from the factor solution. At the same time, the distinct items from the constructs *Product Line* and *Product Innovation* loaded into the same factor. Due to the theoretical similarity between these two constructs, and to both loading into two constructs that is about *Product*, it was deemed appropriate for them to load into the same factor. This new factor was then summarised into a construct termed as *Product*.

Table 6.10: Factor solution for Importance of Marketing

Rotated Component Matrix							
	Component						
	Service	Advertising	Segment/ Target	Market Research	Product	Distribute	Pricing
IMP15	0.901						
IMP16	0.868						
IMP17	0.729						
IMP14	0.657						
IMP18	0.654						
IMP25		0.740					
IMP27		0.683					
IMP28		0.664					
IMP24		0.642					
IMP26		0.623					
IMP29		0.475					
IMP5			0.751				
IMP4			0.692				
IMP6			0.627				
IMP3				0.667			
IMP2				0.594			
IMP1				0.456			
IMP8					0.793		
IMP13					0.701		
IMP10					0.688		
IMP22						0.903	
IMP23						0.883	
IMP21							0.598
IMP20							0.574
Cronbach's Alpha	0.846	0.774	0.772	0.655	0.703	0.914	0.555
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.							

After this, there are 7 theoretical constructs (Service, Advertising, Segmentation, Market Research, Product, Distribution, and Pricing) in this factor solution. Except for the new construct *Product*, the rest coincide with their original theoretical constructs. This resulted in a factor solution comprising 24 variables and 7 factors, all with *Eigenvalue* > 1, and explains 61.9% of the variance. These groups were then allocated the same names as their original constructs, except for the factor termed as *Product*, which is a combination of the *Product Line* and *Product Innovation* constructs. With reference to the Cronbach α values calculated for the *factor solution for Importance* (table 6.10), we can see that most of the values are greater than or close to .7. One of the variables has a value of .555; that is considered *poor* but still not *unacceptable* and, realistically, to be expected. The variables also fit together on the factor group that coincides with one of

the original theoretical constructs, *Pricing*. Therefore, the construct *Pricing* is retained at this point.

Table 6.11: Factor solution for Usage of Marketing

	Rotated Component Matrix					
	Component					
	Service	Advertising	Segmentation	Product	Market Research	Distribution
USE28	0.827					
USE20	0.764					
USE21	0.665					
USE8	0.644					
USE4	0.638					
USE12	0.628					
USE6		0.642				
USE27		0.642				
USE7		0.614				
USE14		0.583				
USE25		0.557				
USE18			0.796			
USE17			0.730			
USE1			0.707			
USE15				0.830		
USE19				0.719		
USE11				0.573		
USE16					0.599	
USE9					0.571	
USE24						0.838
USE13						0.823
Cronbach's Alpha	0.817	0.727	0.798	0.740	0.768	0.859
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.						

Table 6.11, presents the factor solution for the *Usage of Marketing*. The initial result consists of 29 variables grouped into 7 factors. Upon comparison to the initial theoretical constructs, 8 variables that were not loading into the correct factor group were deleted. Although USE8 (Learn about customers) loaded into *Service Quality* instead of *Market Research* (its original construct), it was retained because of the high factor loadings as well as the fact that it makes theoretical sense because learning about customers can also be considered part of service quality.

After the reliability test (Cronbach's Alpha), this resulted in a factor solution that consists

of 21 variables and 6 factors, each with *Eigenvalue* > 1, and explains 61.2% of the variance, with all of the Cronbach α values being greater than .7. The Pricing factor was deleted in this case because the variables were not loading properly into one factor. These groups were then allocated the same names as their original constructs. At the same time, similar to the solution for *Importance of Marketing*, variables for the items from the construct *Product Line* and *Product Innovation* loaded into the same factor; therefore for this solution, a combined factor *Product* is also created.

6.7 Multivariate Technique Part II: Confirmatory Factor Analysis (CFA)

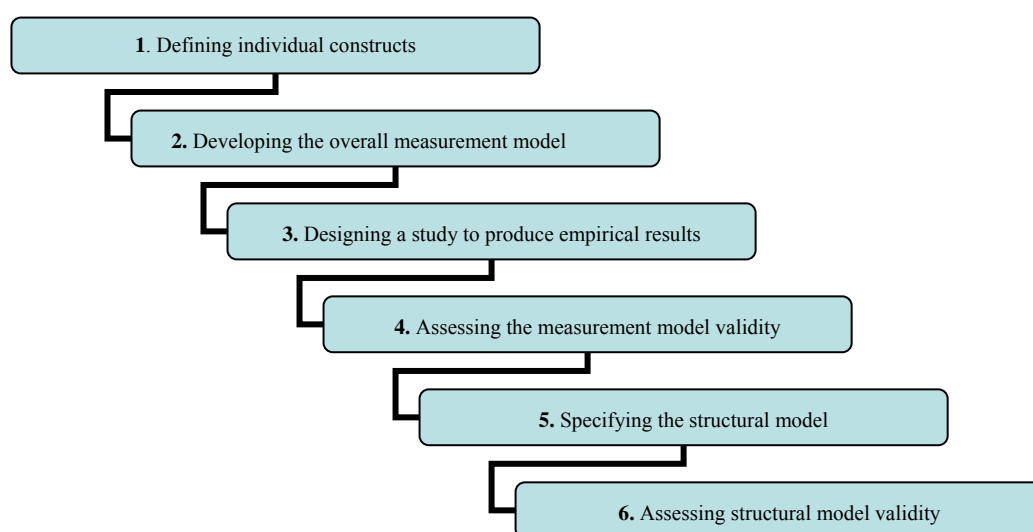


Figure 6.5: 6 Key Stages in the SEM process.

Structural Equation Modelling (SEM) has become a popular multivariate technique in a short period of time. One of the key benefits of using SEM is the fact that it provides a conceptually appealing way to test theory. This theory testing can be done as long as the researcher can express a theory in terms of relationships about measured variables and latent constructs (variates). In turn, SEM will assess how much the theory fits reality, as represented by the data. The process of SEM can be described as consisting of six stages, illustrated in the figure 6.5. This section of the chapter will be focused on describing the procedures and results of the SEM analysis. The structure of this section will follow that of the six stages illustrated in the figure.

6.7.1 Stage 1: Defining individual constructs

In this initial stage, the focus is on listing and defining the constructs that will compose the measurement model. Previously used measures are generally preferred (often considered more reliable), and if a previously applied scale is not available the researcher will have to develop a new set of measures. All constructs must display adequate construct validity, whether they are new scales or scales taken from previous research; even previously established scales should be carefully checked for content validity.

The focus of this research is to evaluate and understand the marketing strategy of entrepreneurs. This research adopted pre-tested constructs in order to have higher face validity and reliability. The relevant constructs were consolidated and incorporated into the study. After the use of Exploratory Factor Analysis (EFA) as discussed in the previous chapter, the constructs remaining were used in the measurement model. The constructs, as well as working definitions adopted from the American Marketing Association (AMA)¹⁹, used in the measurement model are as follows:

- *Premium Pricing* – The formal ratio that indicates the quantities of money goods or services needed to acquire a given quantity of goods or services. Premium Pricing: The price set is high to reflect the exclusiveness of the product.
- *Product* – A bundle of attributes (features, functions, benefits, and uses) capable of exchange or use; usually a mix of tangible and intangible forms. Thus a product may be an idea, a physical entity (a good), a service, or any combination of the three. It exists for the purpose of exchange for the satisfaction of individual and organizational objectives.
- *Selective Distribution* – The marketing and carrying of products to consumers.
- *Market Research* – The systematic gathering, recording, and analyzing of data with respect to a particular market, where market refers to a specific customer group in a specific geographic area.
- *Segmentation/Targeting* – The process of subdividing a market into distinct subsets of customers that behave in the same way or have similar needs. Each subset may conceivably be chosen as a market target to be reached with a distinct marketing strategy.

¹⁹ AMA – American Marketing Association (<http://www.marketingpower.com/ResourceLibrary/Pages/default.aspx>)

- *Advertising* – The placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, nonprofit organizations, government agencies, and individuals who seek to inform or persuade members of a particular target market or audience about their products, services, organizations, or ideas.
- *Service Quality* – How services can be delivered in such a manner as to satisfy the recipient. High quality service is defined as delivery of service that meets or exceeds customers' expectations.

Table 6.12: Observed indicators after EFA in this research. (Part I)

Item	Scale Type	Description	Construct
IMP1	1-5 Likert (<i>Importance</i>) Not at all – Very High	Learn about customer(s)	Importance Market Research
IMP2		Analyse competitors objective(s) and action(s)	
IMP3		Collect information on industry trend(s)	
IMP4		Divide market into sectors distinguished by different requirements	Importance Segmentation/ Targeting
IMP5		Evaluate which market(s) to target	
IMP6		Focus Marketing activities on specific segment(s)	
IMP8		Offer a broad product / service line	Importance Product
IMP10		Develop product(s) / service(s) that have a broad market appeal	
IMP13		Rapid introduction of new product(s) and service(s)	
IMP14		Provide service with a high degree of consistency and accuracy	Importance Service Quality
IMP15		Response quickly to customers' request(s) and problem(s)	
IMP16		Clearly understand and communicate with customer(s)	
IMP17		Provide better after-sales service as compared to competitors	
IMP18		Develop long-term relationships with key customer(s)	
IMP20		Use of a 'lower-than-normal' level of pricing	Importance Premium Pricing
IMP21		Use Promotions and discounts	
IMP22		Distribution through the best distributor(s) available	Importance Selective Distribution
IMP23		Using distributor(s) with unique facilities	
IMP24		Use of 'higher-than-normal' level of advertising	Importance Advertising
IMP25		Generate high quality advertising material(s)	
IMP26		Use media advertising	
IMP27		Use Web/Internet advertising	
IMP28		Use direct mail advertising	
IMP29		Use public relations	

A set of multiple-item reflective scales was proposed to measure each construct. Face validity appears to be evident, and the conceptual definitions match well with the item wordings. Additionally, a pilot study was conducted involving 14 entrepreneurs from the sample population. The items used in the measurement model after the application of

EFA are illustrated in the tables below. The items are split into two tables due to the high number of items involved in the measurement model. In the first table (table 6.12) we have the first set of indicators that represents the *Importance of Marketing Activities*. This consists of 24 items and 7 constructs. In the next table (table 6.13) we have the second set of indicators that represents the *Usage of Marketing Activities*. This consists of 21 items and 6 constructs.

Table 6.13: Observed indicators after EFA in this research. (Part II)

Item	Scale Type	Description	Construct
USE9	1-5 Likert (<i>Usage</i>) Not at all – Very High	Analyse competitors objective(s) and action(s)	Usage Market Research
USE16		Collect information on industry trend(s)	
USE17		Divide market into sectors distinguished by different requirements	Usage Segmentation/ Targeting
USE1		Evaluate which market(s) to target	
USE18		Focus Marketing activities on specific segment(s)	
USE15		Offer a broad product / service line	Usage Product
USE19		Develop product(s) / service(s) that have a broad market appeal	
USE11		Rapid introduction of new product(s) and service(s)	
USE8		Learn about customers	Usage Service Quality
USE20		Provide service with a high degree of consistency and accuracy	
USE28		Response quickly to customers' request(s) and problem(s)	
USE4		Clearly understand and communicate with customer(s)	
USE21		Provide better after-sales service as compared to competitors	
USE12		Develop long-term relationships with key customer(s)	Usage Distribution
USE24		Distribution through the best distributor(s) available	
USE13		Using distributor(s) with unique facilities	
USE6		Use of 'higher-than-normal' level of advertising	Usage Advertising
USE27		Generate high quality advertising material(s)	
USE25		Use media advertising	
USE14		Use Web/Internet advertising	
USE7		Use direct mail advertising	

6.7.2 Stage 2: Developing the overall measurement model (CFA)

After listing and defining the constructs, it is essential to consider how all of the individual constructs will come together to form the overall measurement model. In standard CFA applications, when testing a measurement theory within and between error covariance terms should be fixed at zero and not estimated. At the same time, all variables should be free to load only on one construct. Latent constructs should be indicated by at least three measured variables. However, it should be noted that although

two-item construct CFA is under-identified on its own, an over-identified CFA model may result when this construct is integrated into the overall measurement model, especially with complex models.

There are two measurement models (Importance model and Usage model) created and depicted in figures 6.6 and 6.7. The *importance model* displays seven latent constructs and 24 measured indicator variables. The *usage model* displays six latent constructs and 21 measured indicator variables. Without a reason to think the constructs are independent, all constructs are allowed to correlate with all the other constructs. All measured items are allowed to load on only one construct each; therefore, the error terms (which are not shown in the illustration) are not allowed to relate to any other measured variable, and the measurement models are congeneric. Although we have four of the latent constructs (Impt. Pricing; Impt. Distribute; Use. Distribute; Use. Research) that consist of only two items (after the application of EFA), due to the complexity of the models, they were not deleted. As previously mentioned, the complexity of the models has the ability to allow the models to be identified sufficiently to run the CFA analysis. At the same time, the factor loadings of the two-items that load on one construct are fairly high (results of EFA). On top of that, the items are theoretically sound and are considered to be able to produce interesting results. Five of the *importance* constructs (Impt. Product; Impt. Research; Impt. Segment; Use. Segment; Use. Product) have three items each, two constructs (Impt. Service; Use. Advert) with five items and two constructs (Impt. Advert; Use. Service) with six items. The overall models have more degrees of freedom than paths to be estimated. This model is over-identified, thus satisfying the order condition, and given the number of indicators and a sufficient sample size, no problems with the rank condition are expected either.

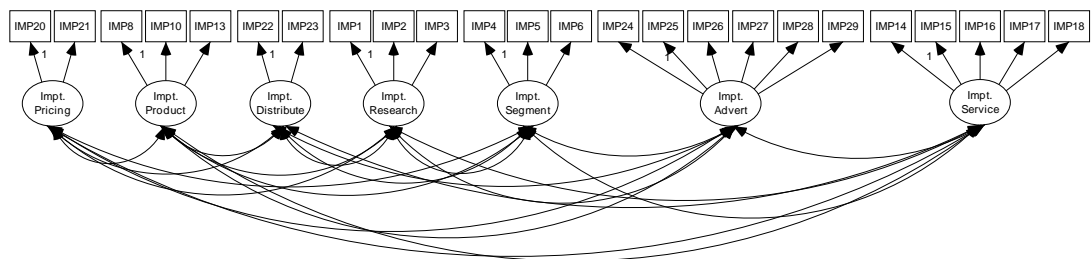


Figure 6.6: Measurement model for Importance

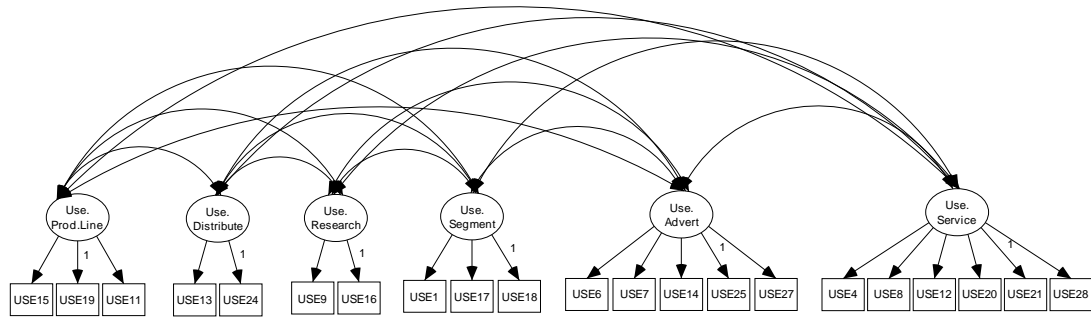


Figure 6.7: Measurement model for Usage

In the proposed models, all of the measures are reflective; that is, the direction of causality is from the latent construct to the measured items. For example, people who placed an importance on the ‘level of advertising’ would cause higher scores of each of the six indicators on the *Importance of Advertising (Impt. Advert)* construct and similarly for usage. Each construct also has a series of indicators that share a similar conceptual basis, and empirically they would tend to move together. That is, we would expect that when one changes, systematic change will occur in the other. Therefore, the measurement model is hypothesised as reflective.

6.7.3 Stage 3: Designing a study to produce empirical results

In this stage, the data collected was used to test the measurement models (figure 6.6 and figure 6.7) that were presented in the previous section. There are a total of 245 responses, a response rate of 24.5%. Fifteen (15) of the respondents were too early in their business development stage and were thus discarded, and 14 of them had more than 50% missing data on the key question (i.e. Importance of Marketing Practices) and thus had to be excluded. The total number of responses used in the actual data analysis for this research is 216. The missing data imputation was then done through using *replacement values – mean substitution*. This sample size is suitable for Maximum Likelihood Estimation.

Amos was chosen as the software for the application of the CFA analysis, and the graphical measurement models were drawn. The default estimation procedure is Maximum Likelihood Estimation and is the procedure used for this analysis.

For the importance model, there are a total of 69 parameters to be estimated with 231 degrees of freedom. Because 231 is greater than 69 (they include more degrees of freedom than free parameters), the model is identified with respect to order condition. In terms of the usage model, the total number of parameters to be estimated is 59 with 194 degrees of freedom. Similarly, the usage model is also identified with respect to the order condition. No problems emerge with the rank condition for identification because we have at least four indicators for each construct. Furthermore, our sample size is sufficient, so we believe that the model will converge and produce reliable results. If communalities are modest to high (.45 to .55 or higher), or the model contains construct with fewer than three items, then the required sample size is more on the order of 200.

6.7.4 Stage 4: Assessing the measurement model validity

In this stage, the results of the measurement model/theory are examined by comparing the theoretical measurement model against reality, as represented by this sample. Both the overall model fit and the criteria for construct validity must be examined. The CFA output includes many fit indices, and we will discuss several of the fit indices here. However, we are advised against accepting a single set of cutoff rules that apply for SEM models of any type. It is critically important to make the distinction between testing theory and pursuing a good fit. SEM is not used to get a good fit; it is used to test theory. The results can be seen in the table 6.14 below.

Table 6.14: Fit Indices of the Measurement Models

Measurement Model Fit Indices		Importance	Usage
Chi-Square	X ²	409.896	374.982
Degrees of Freedom	DF	231	174
X ² / Df (Good < 3)		1.744	2.155
0.9 ≤ Good	GFI	0.869	0.863
0.9 ≤ Good	AGFI	0.830	0.818
0.9 ≤ Good	IFI	0.908	0.891
0.9 ≤ Good	TLI	0.887	0.866
0.9 ≤ Good	CFI	0.905	0.889
Good ≤ 0.06	RMSEA	0.060	0.073

6.7.4.1 *Fit Indices*

The fit indices for the importance model shows more support for the model than the fit indices for the usage model. The details of the indices are described below.

6.7.4.2 *Measurement Model for Importance*

The χ^2 is 409.896 with 231 degrees of freedom. The p -value associated with this result is less than .0001. This p -value is significant using a Type I error rate of .01. Thus, the χ^2 goodness-of-fit statistic does not indicate that the observed covariance matrix matches the estimated covariance matrix within sampling variance. However, given the problems associated with using this test alone and the effective sample size of 216, we thus proceed to examine other fit statistic as well. The χ^2/DF ratio however is less than 3, which is considered good.

The rule of thumb suggests that we rely on at least one absolute fit index and one incremental fit index in addition to the χ^2 result. The value for RMSEA, an absolute fit index, is .060. This value is the recommended cut-off value of .06 for good models and thus indicates a good model fit. This value is also below the .08 guideline for a model with 24 measured variables and a sample size of 216. Using the 90% confidence interval for this RMSEA, we conclude that the true value of RMSEA is between .050 and .069; therefore even the upper bound of RMSEA is below the guideline, and indicates a good model fit.

The CFI is an incremental fit index. It is .905, which is above the .90 guideline for a good model. Thus, this result indicate support this model. At the same time the other values, GFI (.869), AGFI (.830), IFI (.908), and the TLI (.887) indicate strong support for the model.

6.7.4.3 *Measurement Model for Usage*

The fit indices for the usage model are similar to that of the importance model. The χ^2 is 374.982 with 174 degrees of freedom. The p -value associated with this result is less than .0001. This p -value is significant using a Type I error rate of .01. Thus, the χ^2

goodness-of-fit statistic does not indicate that the observed covariance matrix matches the estimated covariance matrix within sampling variance. However, given the problems associated with using this test alone and the effective sample size of 216, we thus proceed to examine other fit statistic as well. The χ^2/DF ratio is below 3, similar to the importance, and considered good.

The value for RMSEA, an absolute fit index, is 0.073. This value is above the cut-off value of .06 for good models and thus does not indicate support for the model. This value is still below the .08 guideline for a model with 21 measured variables and a sample size of 216, and thus indicates that, although not a good fit, it is not a bad fit. Using the 90% confidence interval for this RMSEA, we conclude the true value of RMSEA is between .063 and .083; therefore the upper bound of RMSEA is above the guideline, which does not indicate support for this model.

The CFI is an incremental fit index. It is .889, which is slightly lower than the .90 guideline for a model of this complexity and sample size. At the same time, the other values, GFI (.863), AGFI (.818), IFI (.891), and the TLI (.886) do not indicate strong support for the model. Unlike the importance model, the fit indices for the usage model do not show strong support for the model; however, the indices are not too far below the guideline.

6.7.5 Construct Validity

Next, we assessed the construct validity. This is done by examining convergent, discriminant and nomological validity. Face validity was established (as discussed above) based on the corresponding items. Discriminant validity has previously been assessed using the EFA (exploratory factor analysis) discussed in the previous chapter.

These constructs are different because their respective indicators load most heavily on their respective constructs in the principal components factor analysis. CFA provides a range of information used in evaluating convergent validity. Even though maximum likelihood factor loadings are not associated with a specified range of acceptable or unacceptable values, their magnitude, direction and statistical significance should be evaluated. We begin by examining the factor loading estimates (or Regression weights

for AMOS), which can be seen in table 6.15. Loading estimates that are significant provide a useful start in assessing the convergent validity of the measurement model. All loadings are highly significant, as required for convergent validity.

As can be seen in Table 6.15, which shows the factor loading estimates for the list of observed items representing *Importance*, most of the factor loadings are above the minimum of .5 with one item (IMP29) at the exact value of .495. This item is noted as a potential candidate for deletion. At the same time, their corresponding R^2 values were also above the minimum of .2, with three of the items (IMP29, IMP1, IMP20) below the value of .3. Although there are no values stated as guidelines for acceptable or unacceptable models, values below .3 were noted as potential candidates for deletion in this study. Therefore, these three items were noted as potential targets for deletion.

Table 6.15: Factor loadings / Regression Weights for the Importance model

Observed Item	Latent Construct	Estimate	SMC/ R^2
IMP22_BestDistributors	Importance - Selective Distribution	0.954	0.910
IMP23_UniqueDistributors	Importance - Selective Distribution	0.883	0.780
IMP8_BroadProductServiceLine	Importance - Product	0.658	0.433
IMP13_RapidIntroductionNewProductsServices	Importance - Product	0.591	0.349
IMP10_ProductServiceBroadAppeal	Importance - Product	0.748	0.560
IMP24_HighAdvertising	Importance - Advertising	0.696	0.484
IMP26_MediaAdvertising	Importance - Advertising	0.631	0.398
IMP25_QualityAdvertising	Importance - Advertising	0.703	0.494
IMP27_WebInternetAdvertising	Importance - Advertising	0.568	0.323
IMP28_DirectMailAdvertising	Importance - Advertising	0.554	0.307
IMP29_PublicRelations	Importance - Advertising	0.495	0.245
IMP14_ConsistenceAccurateService	Importance - Service Quality	0.58	0.336
IMP15_QuickResponseRequestsProblems	Importance - Service Quality	0.904	0.817
IMP16_UnderstandCommunicateWithCustomers	Importance - Service Quality	0.857	0.734
IMP17_BetterAfterSalesService	Importance - Service Quality	0.742	0.551
IMP18_LongTermCustomers	Importance - Service Quality	0.595	0.354
IMP2_AnalyseCompetitorsObjectivesActions	Importance - Market Research	0.761	0.579
IMP3_CollectInformationIndustryTrends	Importance - Market Research	0.631	0.398
IMP1_LearnAboutCustomers	Importance - Market Research	0.508	0.258
IMP4_DivideMarketSectors	Importance - Segmentation and Targeting	0.678	0.460
IMP5_EvaluateTargetMarkets	Importance - Segmentation and Targeting	0.804	0.646
IMP6_SegmentMarketing	Importance - Segmentation and Targeting	0.718	0.516
IMP20_LowPricing	Importance - Pricing	0.508	0.258
IMP21_PromotionDiscounts	Importance - Pricing	0.757	0.573

Next, we look at the factor loadings for the items representing *Usage*. The loadings estimate shows no loadings below the minimum of .5, as shown in table 6.16. Therefore at this point, there is no need to consider the deletion of any usage items. The lowest value is .505, which is slightly above the minimum guideline. However, when examining their corresponding R^2 values, three of them USE6 (.282), USE7(.266) and USE4 (.255) are values lower than .3. As previously mentioned, in this study, values below .3 were noted as potential candidates for deletion in this study.

Table 6.16: Factor loadings / Regression Weights for the Usage items

Observed Item	Latent Construct	Estimate	SMC/R ²
USE24_BestDistributors	Usage - Selective Distribution	0.843	0.711
USE13_UniqueDistributors	Usage - Selective Distribution	0.895	0.801
USE19_ProductServiceBroadAppeal	Usage - Product	0.759	0.576
USE15_BroadProductServiceLine	Usage - Product	0.73	0.533
USE11_RapidIntroductionNewProductsServices	Usage - Product	0.619	0.383
USE16_AnalyseCompetitorsObjectivesActions	Usage - Market Research	0.874	0.764
USE9_CollectionInformationIndustryTrends	Usage - Market Research	0.719	0.517
USE18_SegmentMarketing	Usage- Segmentation and Targeting	0.803	0.645
USE17_DivideMarketSectors	Usage- Segmentation and Targeting	0.842	0.709
USE1_EvaluateTargetMarkets	Usage- Segmentation and Targeting	0.637	0.406
USE14_WebInternetAdvertising	Usage - Advertising	0.59	0.348
USE25_MediaAdvertising	Usage - Advertising	0.621	0.386
USE27_QualityAdvertising	Usage - Advertising	0.708	0.501
USE6_HighAdvertising	Usage - Advertising	0.531	0.282
USE7_DirectMailAdvertising	Usage - Advertising	0.516	0.266
USE8_LearnAboutCustomers	Usage - Service Quality	0.717	0.514
USE12_LongTermCustomers	Usage - Service Quality	0.611	0.373
USE20_ConsistenceAccurateService	Usage - Service Quality	0.658	0.433
USE21_BetterAfterSalesService	Usage - Service Quality	0.697	0.486
USE28_QuickResponseRequestsProblems	Usage - Service Quality	0.741	0.549
USE4_UnderstandCommunicateWithCustomers	Usage - Service Quality	0.505	0.255

Next, we examined the construct validity of the *importance* model (table 6.17). All of the constructs have attained the minimum of .5. The construct *Importance – Pricing* at .58 is the only construct that has a value near the minimum of .50. Similarly for the *usage* model (table 6.18), all of the constructs have attained the minimum of .50. The lowest value is *Usage – Advertising* at .73.

Table 6.17: Construct Reliability and Average Variance Extracted for Importance Model

Latent Constructs	Construct Reliability	Average Variance Extracted
Importance - Selective Distribution	0.92	0.84
Importance - Product	0.71	0.45
Importance - Advertising	0.78	** 0.38
Importance - Service Quality	0.86	0.56
Importance - Market Research	0.67	** 0.41
Importance - Segmentation/Targeting	0.78	0.54
Importance - Pricing	0.58	** 0.42

**** Indicating Problematic Values(AVE<.45)**

The Average Variance Extracted values also show that modifications for the model are necessary in order for the model to be improved. All the AVE values below .45 were flagged as issues that can affect the model fit. It was also noted that most of these low AVE values were associated with the problematic indicators that were mentioned earlier during the examination of the factor loading estimates.

Table 6.18: Construct Reliability and Average Variance Extracted for Usage Model

Latent Constructs	Construct Reliability	Average Variance Extracted
Usage - Selective Distribution	0.86	0.76
Usage - Product	0.75	0.50
Usage - Market Research	0.78	0.64
Usage - Segmentation/Targetting	0.81	0.59
Usage - Advertising	0.73	** 0.36
Usage - Service Quality	0.82	** 0.44

****** Indicating Problematic Values(AVE<.45)

6.7.6 Refining the Measurement Model

In this stage, we will proceed to deal with the indicators that were noted for deletion earlier. Upon examination of the fit indices, it showed that there is a need to modify the model in order to attain a better (acceptable) fit.

Table 6.19: Observed Items noted for deletion

Model	Observed Item	Latent Construct	Estimate	SMC/R ²
Importance	IMP29_PublicRelations	Importance - Advertising	<u>0.495</u>	<u>0.245</u>
	IMP1_LearnAboutCustomers	Importance - Market Research	0.508	<u>0.258</u>
	IMP20_LowPricing	Importance - Pricing	0.508	<u>0.258</u>
Usage	USE6_HighAdvertising	Usage - Advertising	0.531	<u>0.282</u>
	USE7_DirectMailAdvertising	Usage - Advertising	0.516	<u>0.266</u>
	USE4_UnderstandCommunicateWithCustomers	Usage - Service Quality	0.505	<u>0.255</u>

As previously noted, some of the variables were flagged as being issues during the examination of the factor loading estimates or regression weights. Those potential candidates for deletion are presented in table 6.19. The items listed here are associated with the constructs listed as having low AVE values (table 6.17 and 6.18 in the previous section). As can be seen, there are similarities for both models in terms of problematic items. The construct *Advertising* has problematic indicators in both models.

6.7.6.1 Refining the Measurement Model

In this stage (table 6.20), the construct *Premium Pricing* (IMP20 and IMP21) is totally removed, although only IMP20 is showing a low loading. This is done because it has a low AVE value and removal of any item would result in a one-item construct, which is not acceptable.

Table 6.20: Observed Items noted for deletion – Importance Model

Model	Observed Item	Latent Construct	Estimate	SMC/R ²
Importance	IMP29_PublicRelations	Importance - Advertising	0.495	0.245
	IMP1_LearnAboutCustomers	Importance - Market Research	0.508	0.258
	IMP20_LowPricing	Importance - Pricing	0.508	0.258

Furthermore, this factor also showed a low Cronbach α value of .555 during EFA (refer: Chapter 6: EFA factor solution) and did not appear at all as a possible factor in the *usage* EFA factor solution. At the same time, IMP29 with a low factor loading estimate as well as low R^2 value is deleted. The item IMP1 is allowed to remain at this point, mainly because deletion would result in another two item construct (which is not, at the same time, the factor loading estimate is above the minimum cutoff of .50. The considerably good fit indices mean that it is not necessary to make too many adjustments (deletions) to the model.

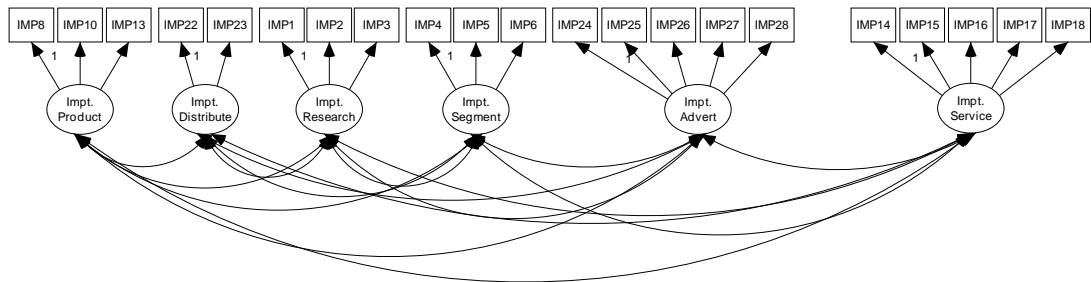


Figure 6.8: Measurement Model for Importance – After Deletion

Fit Indices		Before Deletion	After Deletion
Chi-Square	χ^2	409.896	311.204
Degrees of Freedom	DF	231	174
χ^2 / Df (Good < 3)		1.744	1.789
0.9 ≤ Good	GFI	0.869	0.883
0.9 ≤ Good	AGFI	0.830	0.845
0.9 ≤ Good	IFI	0.908	0.922
0.9 ≤ Good	TLI	0.887	0.903
0.9 ≤ Good	CFI	0.905	0.920
Good ≤ 0.06 > 1.0 (Bad)	RMSEA	0.060	0.061

Table 6.21: Fit Indices of the Measurement Model for Importance

In this new model (figure 6.8), the estimates were all considerably improved, thus allowing the model to show a better (more acceptable) fit compared to before the modification (table 6.21). As can be seen, the deletion has lowered the χ^2 value as well as decreased the DF, which caused a slight increase in the χ^2/DF value, but the value is acceptable as long as it is below 3. All the other values increased, which, in turn, is an indication of a better model fit, except for RMSEA, which requires a lower value as an indication of better fit. However, the the change for the RMSEA value is only .01 and thus is not a cause for concern.

Table 6.22 shows that the *factor loading estimates* (lowest is at .512) for most of the items have been improved. However, there are still items (IMP27 and IMP1) that are showing low loadings. According to the *fit indices*, there were already considerable improvements.

Table 6.22: Factor loadings / Regression Weights for the Measurement Model for Importance – After Deletion

Observed Item	Latent Construct	Estimate	SMC/R ²
IMP22_BestDistributors	Importance - Selective Distribution	0.934	0.872
IMP23_UniqueDistributors	Importance - Selective Distribution	0.902	0.814
IMP8_BroadProductServiceLine	Importance - Product	0.657	0.432
IMP13_RapidIntroductionNewProductsServices	Importance - Product	0.565	0.319
IMP10_ProductServiceBroadAppeal	Importance - Product	0.771	0.594
IMP24_HighAdvertising	Importance - Advertising	0.721	0.520
IMP26_MediaAdvertising	Importance - Advertising	0.641	0.411
IMP25_QualityAdvertising	Importance - Advertising	0.702	0.493
IMP27_WebInternetAdvertising	Importance - Advertising	0.512	0.262
IMP28_DirectMailAdvertising	Importance - Advertising	0.589	0.347
IMP14_ConsistenceAccurateService	Importance - Service Quality	0.578	0.334
IMP15_QuickResponseRequestsProblems	Importance - Service Quality	0.903	0.815
IMP16_UnderstandCommunicateWithCustomers	Importance - Service Quality	0.858	0.736
IMP17_BetterAfterSalesService	Importance - Service Quality	0.744	0.554
IMP18_LongTermCustomers	Importance - Service Quality	0.594	0.353
IMP2_AnalyseCompetitorsObjectivesActions	Importance - Market Research	0.741	0.549
IMP3_CollectInformationIndustryTrends	Importance - Market Research	0.646	0.417
IMP1_LearnAboutCustomers	Importance - Market Research	0.512	0.262
IMP4_DivideMarketSectors	Importance - Segmentation and Targeting	0.677	0.458
IMP5_EvaluateTargetMarkets	Importance - Segmentation and Targeting	0.805	0.648
IMP6_SegmentMarketing	Importance - Segmentation and Targeting	0.717	0.514

As shown in the table 6.23, the *construct reliability* for *Advertising* seems to show a very slight decrease after item deletions (IMP29). In contrast, the *AVE* value went up, which is good. The *AVE* values for the constructs have been improved considerably. Although, the constructs *Advertising* (.41) and *Market Research* (.41) are still lower than .45, the difference is very slight. It was decided that the modification indices of the refined model should be examined for further improvements to the model before considering any additional item deletions.

Table 6.23: Construct Reliability and Average Variance Extracted. (Importance Model)

Latent Constructs	Construct Reliability		Average Variance Extracted	
	Before Deletion	After Deletion	Before Deletion	After Deletion
Importance - Selective Distribution	0.92	0.91	0.84	0.84
Importance - Product	0.71	0.71	0.45	0.45
Importance - Advertising	0.78	0.77	** 0.38	** 0.41
Importance - Service Quality	0.86	0.86	0.56	0.56
Importance - Market Research	0.67	0.67	** 0.41	** 0.41
Importance - Segmentation/Targeting	0.78	0.78	0.54	0.54

** Indicating Problematic Values ($AVE < .45$)

The inspection of the modification indices showed no M.I. value above 20, which thus shows that no significant modification to the model is necessary. Although there are two items that were noted as having low R^2 values (less than .3), there was no further deletion done upon consideration of the fit indices, which already indicated a good model fit. This model is thus retained as the final measurement model for *Importance of Marketing*.

6.7.6.2 Creation of a new Model: Measurement Model Usage

With consideration of the fit indices for the *usage* model (table 6.24), which is not very good all of the items (USE27, USE6, USE4) that were identified as having issues are removed for having low R^2 values.

Table 6.24: Observed Items noted for deletion – Usage Model

Model	Observed Item	Latent Construct	Estimate	SMC/ R^2
Usage	USE6_HighAdvertising	Usage - Advertising	0.531	0.282
	USE7_DirectMailAdvertising	Usage - Advertising	0.516	0.266
	USE4_UnderstandCommunicateWithCustomers	Usage - Service Quality	0.505	0.255

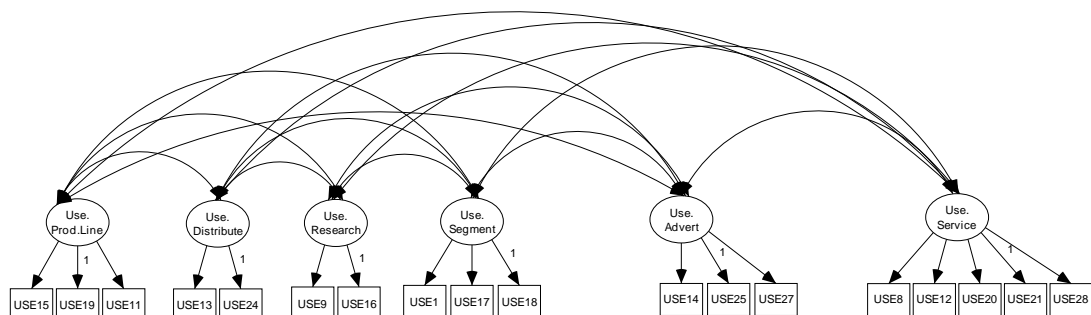


Figure 6.9: Measurement Model for Usage – After Deletion

In this refined model (figure 6.9), the estimates were all considerably improved, thus

allowing the model to show a better (more acceptable) fit as compared to before the modification (table 6.25).

As can be seen, the deletion has lowered the χ^2 value as well as decreased DF, which caused a slight increase in the χ^2/DF value; however, the value is still good (below 3). All values indicate a better fit, which is seen in increases, except RMSEA, which has the decrease wanted. The RMSEA value decreased to .07, which is above the good cut-off point of .06 but still below the guideline of .08 for a model of this complexity and size.

Table 6.25: Fit Indices of the Measurement Model for Usage

Fit Indices			
		Before Deletion	After Deletion
Chi-Square	χ^2	374.982	266.61
Degrees of Freedom	DF	174	119
χ^2 / Df (Good < 3)		2.155	2.240
0.9 ≤ Good	GFI	0.863	0.889
0.9 ≤ Good	AGFI	0.818	0.840
0.9 ≤ Good	IFI	0.891	0.911
0.9 ≤ Good	TLI	0.866	0.883
0.9 ≤ Good	CFI	0.889	0.909
Good ≤ 0.06 > 1.0 (Bad)	RMSEA	0.073	0.070

Table 6.26: Factor loadings / Regression Weights for the Measurement Model for Usage – After Deletion

Observed Item	Latent Construct	Estimate	SMC/R ²
USE24_BestDistributors	Usage - Selective Distribution	0.831	0.691
USE13_UniqueDistributors	Usage - Selective Distribution	0.907	0.823
USE19_ProductServiceBroadAppeal	Usage - Product	0.762	0.581
USE15_BroadProductServiceLine	Usage - Product	0.727	0.529
USE11_RapidIntroductionNewProductsServices	Usage - Product	0.618	0.382
USE16_AnalyseCompetitorsObjectivesActions	Usage - Market Research	0.870	0.757
USE9_CollectionInformationIndustryTrends	Usage - Market Research	0.722	0.521
USE18_SegmentMarketing	Usage- Segmentation and Targeting	0.804	0.646
USE17_DivideMarketSectors	Usage- Segmentation and Targeting	0.842	0.709
USE1_EvaluateTargetMarkets	Usage- Segmentation and Targeting	0.635	0.403
USE14_WebInternetAdvertising	Usage - Advertising	0.607	0.368
USE25_MediaAdvertising	Usage - Advertising	0.624	0.389
USE27_QualityAdvertising	Usage - Advertising	0.726	0.527
USE8_LearnAboutCustomers	Usage - Service Quality	0.662	0.438
USE12_LongTermCustomers	Usage - Service Quality	0.750	0.563
USE20_ConsistenceAccurateService	Usage - Service Quality	0.548	0.300
USE21_BetterAfterSalesService	Usage - Service Quality	0.659	0.434
USE28_QuickResponseRequestsProblems	Usage - Service Quality	0.729	0.531

Table 6.26 shows that the *factor loading estimates* for most of the items have been improved. The lowest R^2 value is now at .3 (USE20) with the lowest factor loading of .548.

Table 6.27: Construct Reliability and Average Variance Extracted. (Usage Model)

Latent Constructs	Construct Reliability		Average Variance Extracted	
	Before Deletion	After Deletion	Before Deletion	After Deletion
Usage - Selective Distribution	0.86	0.86	0.76	0.76
Usage - Product	0.75	0.75	0.50	0.50
Usage - Market Research	0.78	0.78	0.64	0.64
Usage - Segmentation/Targeting	0.81	0.81	0.59	0.59
Usage - Advertising	0.73	0.69	** 0.36	** 0.43
Usage - Service Quality	0.82	0.80	** 0.44	0.45

****** Indicating Problematic Values ($AVE < .45$)

The removal of USE7 and USE6 from *Advertising* and USE4 from *Service Quality* also improved the *AVE* values considerably (table 6.27). Although, the construct *Advertising* (.43) is still showing values lower than .45, the difference is very slight, and thus it was decided that the modification indices of the refined model should be examined for further improvements to the model before considering any additional item deletions.

Similar to the situation for the *importance* model, the inspection of the modification indices for the *usage* model showed no M.I. value above 20, this thus shows that no significant modification to the model is necessary. All of the items now have R^2 values that are greater than or equal to .3, so no further deletion is done upon consideration of the fit indices that have already improved. This model is thus retained as the final measurement model for *Usage of Marketing*.

6.7.6.3 Summary for Results of CFA - Measurement Models

The CFA results generally support the two measurement models. In terms of the *importance of marketing* model, the fit indices indicate a good model fit, even though two of the items are still noted as having low R^2 values (less than .3). However, no further deletion was done upon consideration of the good model fit indices. In terms of the *usage of marketing* model, although the fit indices improved after refinement, the model fit is not as good as the *importance* model. However, the R^2 values are all above or equal to .3, which is good for the model.

Overall, the fit statistics suggest that the estimated model reproduces the sample covariance matrix reasonably well. Furthermore, evidence of construct validity is present. Thus, we can be fairly confident at this point that the measures behave as they should in

terms of unidimensionality of the measures and in the way the constructs relates to the other measures. However, it should be noted that even a good fit is no guarantee that some other combination of the measured variables would not provide an equal or better fit. The fact that the results are conceptually consistent is of even greater importance than the fit results alone.

6.8 Summary

In this current chapter, we have presented the primary statistical tests that were performed on the data. The demographics of the research population have been found to be similar to the demographics of the UK population. In comparison, a higher percentage of males are economically active at the time of the survey, and there are more males who already have business management experience. The businesses were re-categorised into two main sectors (*Manufacturing & Manufacturing Related and Services*) with reference to a NES report by Jayawarna *et al.* (2007), and most of the businesses are found to be in the service sector. The entrepreneurs seem to be generally positive about their future business growth. Overall, it can be said that the majority of entrepreneurs are satisfied or very satisfied with the performance of their business in terms of non-cash related aspects and less satisfied in cash-related aspects of their business performance. There seems to be an even spread of the entrepreneurs' business in terms of whether they are in competitive markets. There is strong differentiation in terms of products/services provided, although they perceived that they have limited market potential. In the next chapter, further statistical analysis will be performed on the data using the factor analysis groups that have been created in this chapter.

CHAPTER 7: ANALYSIS II

7.0 Introduction

The previous chapter has presented some preliminary statistical analysis. In this chapter, more detailed statistical analyses in direct relation to the marketing activities will be presented. These analyses are directly related to the core of the research objectives and encompass a wide array of tests designed to answer the research questions. In the first section, we present the frequencies of the marketing activities in relation to factor analysis groups. In the second section a series of T-Tests were performed on the marketing activities in order to assess the relationships and impacts. In the third section, multiple regressions were performed on marketing activities, business performance and market condition.

7.1 Entrepreneurs' view on Marketing Activities

The following section presents the frequencies with regard to the level of importance that the entrepreneurs place on marketing activities as well as their current usage of those activities. These tables are arranged according to the groups used in the Confirmatory Factor Analysis (CFA). Through the use of CFA we are able to assess the degree of variance explained by each of the latent constructs. In other words, this allows us to understand the explanatory power for each of the groups of marketing activities in general. As can be seen in the table below, the factors produced by the analysis are arranged based on the percentage of variance that each latent construct can explain. The eigenvalues as well as percentage of variance were separately computed from the use of the squared multiple correlation (SMC) estimates produced through AMOS. The formulas used are as shown here.

Eigenvalue = Sum of the SMC values of all the items in the factor group

$$\% \text{ of Variance} = \frac{\text{Eigenvalue}}{(\text{Total number of items in factor solution})}$$

Table 7.1: Entrepreneurs' views on Marketing Activities

Confirmatory Factor Analysis							
Importance of Marketing Activities				Usage of Marketing Activities			
Factor	Eigen-Values	% of Variance	Marketing Activities	Factor	Eigen-Values	% of Variance	Marketing Activities
1	2.792	13.30%	Service Quality	1	2.397	13.32%	Advertising
2	2.033	9.68%	Advertising	2	2.266	12.59%	Service Quality
3	1.69	8.03%	Selective Distribution	3	1.51	8.41%	Selective Distribution
4	1.622	7.72%	Segmentation/Targeting	4	1.491	8.28%	Product
5	1.345	6.40%	Product	5	1.355	7.53%	Segmentation/Targeting
6	1.23	5.85%	Market Research	6	1.28	7.09%	Market Research
Cumulative		%	50.98%	Cumulative		%	57.22%

From the table 7.1, we can see that the strongest construct for the *Importance* model is *service quality*, at 13.3%. This is followed by *advertising*, *selective distribution*, *segmentation/targeting*, *product*, and the weakest construct for the *Importance* model is *market research*, at 5.85%. The six constructs in the model make up 50.98% of the explanatory power of the *Importance* model.

The constructs for the *Usage* model appear to be different. The strongest construct here appears to be *advertising*, at 13.32%, instead of *service quality*, at 12.59%. This is followed by *service distribution*, *product*, *segmentation and targeting* and finally the weakest construct is similar to the *Importance* model, with *market research* at 7.09%. The six constructs in the model make up 57.22% of the explanatory power of the *Usage* model.

7.1.1 Importance of Marketing Activities

The following six tables present the data from the entrepreneurs in terms of how they view the importance of marketing activities. Each table includes the data specific to the groups of marketing activities in accordance to the CFA groups that were previously created, starting with *Service Quality*, *Advertising*, *Selective Distribution*, *Segmentation and Targeting*, *Product*, and ending with *Market Research*.

Table 7.2: *Entrepreneurs' views on the Importance of Service Quality*

IMP - Service Quality													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP15 - Importance - Marketing Strategy Component: Response quickly to customers' request(s) and problem(s)													
2	1%	.	.	9	4%	45	21%	160	74%			4.67	0.65
IMP16 - Importance - Marketing Strategy Component: Clearly understand and communicate with customer(s)													
2	1%	.	.	3	1%	45	21%	166	77%			4.73	0.58
IMP17 - Importance - Marketing Strategy Component: Provide better after-sales service as compared to competitors													
3	1%	3	1%	12	6%	64	30%	134	62%			4.50	0.78
IMP14 - Importance - Marketing Strategy Component: Provide service with a high degree of consistency and accuracy													
1	1%	3	1%	6	3%	55	26%	151	70%			4.63	0.66
IMP18 - Importance - Marketing Strategy Component: Develop long-term relationships with key customer(s)													
1	1%	2	1%	8	4%	48	22%	157	73%			4.66	0.64
AVERAGE RATING												4.638	

Through the use of frequencies, we can see again that the emphasis on service quality is high (table 7.2), with a mean greater than or equal to 4.5. An average rating of 4.64 indicates that most respondents place a *high* or *very high* level of importance on service quality.

Table 7.3: *Entrepreneurs' views on the Importance of Advertising*

IMP - Advertising													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP25 - Importance - Marketing Strategy Component: Generate high quality advertising material(s)													
7	3%	15	7%	47	22%	89	41%	58	27%			3.81	1.01
IMP27 - Importance - Marketing Strategy Component: Use Web/Internet advertising													
9	4%	7	3%	31	14%	85	39%	84	39%			4.06	1.02
IMP28 - Importance - Marketing Strategy Component: Use direct mail advertising													
29	13%	27	13%	62	29%	69	32%	29	13%			3.19	1.22
IMP24 - Importance - Marketing Strategy Component: Use of 'higher-than-normal' level of advertising													
19	9%	30	14%	81	38%	59	27%	27	13%			3.21	1.11
IMP26 - Importance - Marketing Strategy Component: Use media advertising													
15	7%	30	14%	73	34%	70	32%	28	13%			3.31	1.08
AVERAGE RATING												3.516	

The average rating for the items in this construct is 3.52 (table 7.3). The mean for the level of importance placed on each of the items in the advertising construct is greater than or equal to 3.19, indicating that most of the respondents place a *low* to *high* emphasis on advertising, although a smaller number of people rated it as *very high*.

Table 7.4: *Entrepreneurs' views on the Importance of Selective Distribution*

IMP - Selective Distribution													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP22 - Importance - Marketing Strategy Component: Distribution through the best distributor(s) available													
43	20%	18	8%	62	29%	62	28%	32	15%			3.10	1.32
IMP23 - Importance - Marketing Strategy Component: Using distributor(s) with unique facilities													
44	20%	26	12%	68	32%	55	26%	23	11%			2.94	1.27
AVERAGE RATING												3.02	

On the construct of selective distribution (table 7.4), the mean is between 2 and 3, with an average rating of 3.02. This shows that the respondents do not place much importance on the issue of selective distribution.

Table 7.5: *Entrepreneurs' views on the Importance of Segmentation and Targeting*

IMP - Segmentation and Targeting													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP5 - Importance - Marketing Strategy Component: Evaluate which market(s) to target													
1	1%	1	1%	22	10%	86	40%	106	49%			4.37	0.72
IMP4 - Importance - Marketing Strategy Component: Divide market into sectors distinguished by different requirements													
4	2%	5	2%	48	22%	113	52%	46	21%			3.89	0.83
IMP6 - Importance - Marketing Strategy Component: Focus Marketing activities on specific segment(s)													
3	1%	3	1%	31	14%	96	44%	83	38%			4.17	0.83
AVERAGE RATING												4.143	

With a mean of 3.89 and above and an average rating of 4.14, the construct segmentation and targeting seems to be important to entrepreneurs (table 7.5). Most of the entrepreneurs rated the items in this construct as *high* or *very high*.

Table 7.6: *Entrepreneurs' views on the Importance of Product*

IMP - Product													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP8 - Importance - Marketing Strategy Component: Offer a broad product / service line													
4	2%	19	9%	71	33%	72	33%	50	23%			3.67	0.99
IMP13 - Importance - Marketing Strategy Component: Rapid introduction of new product(s) and service(s)													
8	4%	20	9%	82	38%	68	32%	38	18%			3.50	1.01
IMP10 - Importance - Marketing Strategy Component: Develop product(s) / service(s) that have a broad market appeal													
5	2%	17	8%	58	27%	84	39%	52	24%			3.75	0.99
AVERAGE RATING												3.64	

The mean for this construct (table 7.6) is between 3 and 4, with an average rating of 3.64, which indicates that most of the respondents have a *low* to *high* rating with regard to the importance product related marketing activities.

Table 7.7: Entrepreneurs' views on the Importance of Market Research

IMP - Market Research													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
IMP3 - Importance - Marketing Strategy Component: Collect information on industry trend(s)													
1	1%	1	1%	29	13%	113	52%	72	33%			4.18	0.71
IMP 2 - Importance - Marketing Strategy Component: Analyse competitors objective(s) and action(s)													
.	.	5	2%	27	13%	107	50%	77	36%			4.19	0.74
IMP1 - Importance - Marketing Strategy Component: Learn about customer(s)													
.	.	.	.	4	2%	70	32%	142	66%			4.64	0.52
AVERAGE RATING												4.337	

The mean for this construct (table 7.7) is considerably high, with the lowest mean at 4.18. An average rating of 4.33 again indicates that the entrepreneurs generally place *high* to *very high* importance on market research.

7.1.2 Usage of Marketing Activities

The following section presents the data on the types of marketing activities the entrepreneurs use in the management of their businesses. Each table includes the data specific to the groups of marketing activities in accordance to the CFA groups that were previously created, starting with *Advertising*, *Service Quality*, *Selective Distribution*, *Product*, *Segmentation and Targeting*, and ending with *Market Research*.

Table 7.8: Entrepreneurs' views on the Usage of Advertising

USE - Advertising													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE27 - Usage - Marketing Strategy Component: Generate high quality advertising material(s)													
13	6%	19	9%	43	20%	76	35%	62	29%	3	1%	3.73	1.15
USE14 - Usage - Marketing Strategy Component: Use Web/Internet advertising													
12	6%	9	4%	41	19%	67	31%	85	39%	2	1%	3.95	1.13
USE25 - Usage - Marketing Strategy Component: Use media advertising													
34	16%	27	13%	61	28%	63	29%	28	13%	3	1%	3.11	1.26
AVERAGE RATING												3.597	

The mean of the usage of advertising is between 3 and 4, with an average rating of 3.6 (table 7.8). This shows that most of the entrepreneurs use advertising at the *low* to *high* level, although some of them indicated that they do use *very high* amount of advertising activities.

Table 7.9: Entrepreneurs' views on the Usage of Service Quality

USE - Service Quality													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE28 - Usage - Marketing Strategy Component: Response quickly to customers' request(s) and problem(s)													
3	1%	1	1%	7	3%	57	26%	145	67%	3	1%	4.60	0.71
USE20 - Usage - Marketing Strategy Component: Provide service with a high degree of consistency and accuracy													
2	1%	1	1%	9	4%	54	25%	146	68%	4	2%	4.61	0.68
USE21 - Usage - Marketing Strategy Component: Provide better after-sales service as compared to competitors													
6	3%	2	1%	14	7%	73	34%	117	54%	4	2%	4.38	0.88
USE8 - Usage - Marketing Strategy Component: Learn about customer(s)													
2	1%	4	2%	15	7%	66	31%	127	59%	2	1%	4.46	0.79
USE12 - Usage - Marketing Strategy Component: Develop long-term relationships with key customer(s)													
2	1%	1	1%	15	7%	56	26%	140	65%	2	1%	4.55	0.73
AVERAGE RATING												4.52	

Similar to the situation of the importance of service quality, the mean for usage of service quality is above 4, with an average rating of 4.52 (table 7.9). This suggests that the entrepreneurs do use the activities in this construct at a *high* or *very high* level.

Table 7.10: Entrepreneurs' views on the Usage of Selective Distribution

USE - Selective Distribution													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE24 - Usage - Marketing Strategy Component: Distribution through the best distributor(s) available													
59	27%	22	10%	50	23%	60	28%	21	10%	4	2%	2.82	1.37
USE13 - Usage - Marketing Strategy Component: Using distributor(s) with unique facilities													
50	23%	25	12%	68	32%	41	19%	30	14%	2	1%	2.89	1.34
AVERAGE RATING												2.855	

In terms of selective distribution, the mean at around 2.8 and an average rating of 2.86 suggests that there is only *very low* to *low* usage of selective distribution (table 7.10). This indicates that selective distribution is not as widely used as all the other marketing activities.

Table 7.11: Entrepreneurs' views on the Usage of Product

USE - Product													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE15 - Usage - Marketing Strategy Component: Offer a broad product / service line													
15	7%	19	9%	71	33%	72	33%	37	17%	2	1%	3.45	1.09
USE19 - Usage - Marketing Strategy Component: Develop product(s) / service(s) that have a broad market appeal													
17	8%	12	6%	68	32%	76	35%	40	19%	3	1%	3.52	1.11
USE11 - Usage - Marketing Strategy Component: Rapid introduction of new product(s) and service(s)													
14	7%	30	14%	69	32%	64	30%	37	17%	2	1%	3.37	1.12
AVERAGE RATING												3.447	

The mean is between 3 and 4 for the usage of product related marketing activities (table 7.11), with an average rating of 3.447, indicating between *low* to *high* usage of these activities by the entrepreneurs.

Table 7.12: Entrepreneurs' views on the Usage of Segmentation and Targeting

USE - Segmentation and Targeting													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE18 - Usage - Marketing Strategy Component: Focus Marketing activities on specific segment(s)													
9	4%	10	5%	40	19%	100	46%	54	25%	3	1%	3.85	1
USE17 - Usage - Marketing Strategy Component: Divide market into sectors distinguished by different requirements													
12	6%	10	5%	50	23%	97	45%	44	20%	3	1%	3.71	1.03
USE1 - Usage - Marketing Strategy Component: Evaluate which market(s) to target													
3	1%	3	1%	15	7%	111	51%	82	38%	2	1%	4.24	0.76
AVERAGE RATING												3.933	

The mean for the use of segmentation and targeting (table 7.12) is greater than or equal to 3.71 with an average rating of 3.93, indicating that the entrepreneurs do use these activities to a degree close to *high* usage.

Table 7.13: Entrepreneurs' views on the Usage of Market Research

USE - Market Research													
Not at all / None		Very Low		Low		High		Very high		No Response		Mean	S.D
USE16 - Usage - Marketing Strategy Component: Analyse competitors objective(s) and action(s)													
7	3%	10	5%	50	23%	99	46%	48	22%	2	1%	3.80	0.95
USE9 - Usage - Marketing Strategy Component: Collect information on industry trend(s)													
3	1%	4	2%	38	18%	94	44%	74	34%	3	1%	4.09	0.85
AVERAGE RATING												3.945	

The mean for this construct (table 7.13) is at 3.8 and above with an average rating of 3.95,

suggesting that the entrepreneurs have a close to *high* level of usage for market research.

7.1.3 Summary on Importance and Usage of Marketing Activities

This table below presents a summary of the results derived from the data provided by the entrepreneurs with regard to their perceptions on the importance of marketing activities as well as their actual usage of those activities. The average ratings refer to the average scores given by the entrepreneurs with regards to each group of the marketing activities.

As can be seen from the table 7.14, none of the groups of marketing activities with regard to *importance*, has an average rating lower than 3. This indicates that even though the importance level may be low, most of the entrepreneurs still place a degree of importance on marketing activities within the management of their businesses.

Table 7.14: Entrepreneurs' views on the Importance and Usage

Average Ratings of Factors							
Importance of Marketing Activities				Usage of Marketing Activities			
Factor	Average Rating		Marketing Activities	Factor	Average Rating		Marketing Activities
1	4.638	*****	Service Quality	1	3.597	***	Advertising
2	3.516	**	Advertising	2	4.520	*****	Service Quality
3	3.020	*	Selective Distribution	3	2.855	*	Selective Distribution
4	4.143	****	Segmentation/Targeting	4	3.447	**	Product
5	3.640	***	Product	5	3.933	****	Segmentation/Targeting
6	4.337	*****	Market Research	6	3.945	*****	Market Research
Overall Average			3.882	Overall Average			3.716

***** Highest Rating
* Lowest Rating

Furthermore, three out of the six constructs have ratings above 4, indicating that the most of the entrepreneurs view marketing activities such as *service quality*, *market research* and *segmentation and targeting* as more important than the rest of marketing activities. The only group of marketing activities that appears to have *high* or *very high* usage is *service quality*.

Service Quality appears to be the most important marketing activity to the entrepreneurs in this research. This is followed by the importance placed on *market research*, *segmentation and targeting*, *product*, *advertising* and, lastly, *selective distribution*. The usage of *service quality* and *market research* as well as *segmentation and targeting* is reflective of the entrepreneurs' views on the importance of it, being higher in ratings in

importance and usage; the same can be said of *selective distribution*, being low in ratings in importance and even lower in actual usage.

There are two factor groups that do not fit in the same pattern as the others previously mentioned. Although *advertising* is seen as lower in importance than four of the other groups of marketing activities, it seems that in actual practice, the entrepreneurs do use *advertising* more than the concern would suggest, by the *product* related marketing activities being viewed as more important than *advertising*.

7.2 Impact of the perception of Importance on Usage

In this section, in order to assess the impact of the entrepreneurs' perception of marketing activities on the usage of those activities in the management of their businesses, a series of Paired Samples *t*-tests were performed on the marketing activities. The average scores of the groups of marketing activities are used for these *t*-tests. The results of the tests are shown in the table 7.15.

Table 7.15: Impact of Importance of Marketing Activities on the Usage of Marketing Activities

Paired Factors	Paired Differences			Correlation		<i>t</i> -Test		
	N	Mean	S.D	Correlation	Sig.	<i>t</i>	df	Sig.
Product	216	.19104	.59434	.757	.000	4.724	215	.000
Advertising	216	-.08214	.65591	.714	.000	-1.841	215	.034
Service Quality	216	.11781	.45628	.654	.000	3.795	215	.000
Selective Distribution	216	.16422	1.04391	.653	.000	2.312	215	.011
Segmentation & Targeting	216	.20965	.64332	.613	.000	4.790	215	.000
Market Research	216	.38920	.67002	.563	.000	8.537	215	.000

The category *Paired Factors* presents the factors in which the *Importance* items are paired against the corresponding *Usage* items. As can be seen in the *Paired Sample Correlations* statistics, all of the factor groups are significantly correlated at α level of .001. These significant correlations ($p < .01$) imply that the perception on the *Importance* of marketing activities does have a relationship with the *Usage* of marketing activities. The significance of the *t*-test results ($p < .05$) allow us to confidently reject the null hypothesis that these paired factors are two representations of a single characteristic; thus the data representing *importance* and *usage* are statistically independent from each other and can be considered separately without redundancy.

As can be seen from the table above, the highest correlation is for the factor group *product*, $r(215) = .757, p < .01$. This is followed by *advertising*, $r(215) = .714, p < .01$. The third highest group is *service quality*, $r(215) = .654, p < .01$. The fourth group is *selective distribution*, $r(215) = .653, p < .01$. Subsequently, the next group is *segmentation and targeting*, $r(215) = .613, p < .01$. The last group is *market research*, $r(215) = .563, p < .01$. These highly significant correlations show that entrepreneurs who think that marketing activities are important also have a high usage of marketing activities. In turn, these results also imply that perception of marketing activities has an impact on the usage of market activities.

7.3 Impact of Marketing Activities on Business Performance

In this section, two regression models, one for *Importance of Marketing Activities* and one for *Usage of Marketing Activities*, are created in order to assess the impact of marketing activities on business performance. The items for marketing are based on the factor groups previously created through the use of confirmatory factor analysis, discussed in the previous sections. Business performance is represented by a group of five business performance indicators (Sales Growth, Return on Sales, Cash Flow, Net Profits, Growth of the Business). The factor analysis results are shown in the table below.

Table 7.16: Factor Analysis for Business Performance

Factor	1
Business Performance ($\alpha = .912$)	
Sales Growth	.894
Net Profits	.877
Growth of Business	.863
Cash Flow	.849
Return on Sales	.814
Eigenvalue	3.697
% of variance explained	73.934
Sample N= 216	

In the first model (model results presented in table 7.17), which is used to assess the impact of how the entrepreneurs' perception of marketing activities can have an impact on business performance, it can be seen that the overall model is not statistically significant ($F(6,209) = 1.282, p > .05$). The post-test results are irrelevant because the model is not statistically significant.

Table 7.17: Impact of Importance of Marketing Activities on Business Performance

Multiple Regression Analysis				
Factor		Beta	T	Significance
F1	Service Quality	.040	.521	.603
F2	Advertising	-.167	-2.120	.035
F3	Segmentation & Targeting	.125	1.509	.133
F4	Market Research	-.066	-.817	.415
F5	Product	.080	1.065	.288
F6	Selective Distribution	-.058	-.775	.439

Model Summary	R	R ²	Adjusted R ²	Std. Error of Estimate
	.188	.035	.008	.74067

Analysis of Variance (ANOVA)					
	Sum of squares	Df	Mean Square	F	Significance
Regression	4.218	6	.703	1.282	.267
Residual	114.657	209	.549		
Total	118.876	215			

In the second model (model results presented in table 7.18), which is used to assess the impact of how the usage of marketing activities can have an impact on business performance, we can see that the model is statistically significant ($F(6,209)=3.438$, $p < .05$) with the R^2 value indicating that 9% of variance in business performance are explained.

Table 7.18: Impact of Usage of Marketing Activities on Business Performance

Multiple Regression Analysis				
Factor		Beta	T	Significance
F1	Service Quality	.154	2.024	.044
F2	Advertising	-.037	-.344	.732
F3	Segmentation & Targeting	-.058	-.639	.523
F4	Product	.025	.310	.757
F5	Market Research	.178	1.872	.063
F6	Selective Distribution	-.272	-2.565	.011

Model Summary	R	R ²	Adjusted R ²	Std. Error of Estimate
	.300	.090	.064	.71950

Analysis of Variance (ANOVA)					
	Sum of squares	Df	Mean Square	F	Significance
Regression	10.680	6	1.780	3.438	.003
Residual	108.196	209	.518		
Total	118.876	215			

In this model (table 7.18), we can see that *service quality* has a positive and significant relationship ($\beta = .154$, $p < .05$) with business performance. The factor *selective distribution* has a negative and significant ($\beta = -.272$, $p < .05$) relationship with business

performance. The factor *market research* has a positive and marginally significant ($\beta = .178, p < .10$) relationship with business performance. The results from the model implies that the usage of marketing activities does have a significant impact on business performance and that the factors *service quality*, *selective distribution* and *market research* all contribute towards that impact. The relationships are supported and demonstrated by the model.

7.4 Impact of Market Condition on Marketing Activities

In this section, another two regression models, one for *Importance of Marketing Activities* and one for *Usage of Marketing Activities*, are created in order to assess the impact of the market conditions on marketing activities.

Table 7.19: Factor Analysis for Market Condition

Factor	1
Market Condition ($\alpha = 0.734$)	
Large companies dominate the market	0.859
There is substantial untapped market potential (negative)	0.776
There is lot of difference between firms in the market	0.697
Market is crowded – there are too many competitors	0.656
Failure rate in my industry is high	0.557
Eigenvalue	2.994
% of variance explained	59.882
Sample N= 216	

Market condition is represented by five items that assess the level of market competition in the industry sector of respondents (Large companies dominate the market; difference between firms in terms of product quality; customer service and marketing; untapped market potential; market is crowded; high growth development).The factor analysis results are shown in the table 7.19.

In the model (model results presented in table 7.20), which is used to assess the impact of how the existing market competition (market condition) has an impact on the entrepreneurs' perception of marketing activities, the results show that the model is statistically significant ($F(6,209)=2.634, p < .05$) with the R^2 value indicating that 7% of variance in market competition is explained. In this model, we can see that the only factor that has a significant impact is *service quality* ($\beta = -.172, p < .05$), thus having a

negative relationship with market competition. The result from this model implies that market competition has an impact of the perception of how entrepreneurs view the importance of the marketing activities related to *service quality*.

Table 7.20: Importance of Marketing Activities and Market Competition

Multiple Regression Analysis					
Factor		Beta	T	Significance	
F1	Service Quality	-.172	-2.275	.024	
F2	Advertising	.018	.234	.815	
F3	Segmentation & Targeting	-.063	-.769	.443	
F4	Market Research	-.107	-1.348	.179	
F5	Product	-.025	-.339	.735	
F6	Selective Distribution	.058	.786	.433	

Model Summary		R	R ²	Adjusted R ²	Std. Error of Estimate
		.265	.070	.044	.97795523

Analysis of Variance (ANOVA)					
	Sum of squares	Df	Mean Square	F	Significance
Regression	15.113	6	2.519	2.634	.018
Residual	199.987	209	.956		
Total	215.000	215			

Table 7.21: Usage of Marketing Activities and Market Competition

Multiple Regression Analysis					
Factor		Beta	T	Significance	
F1	Service Quality	-.224	-2.931	.004	
F2	Advertising	.152	1.416	.158	
F3	Segmentation & Targeting	.071	.787	.432	
F4	Market Research	.018	.226	.822	
F5	Product	-.205	-2.151	.033	
F6	Selective Distribution	-.099	-.937	.350	

Model Summary		R	R ²	Adjusted R ²	Std. Error of Estimate
		.296	.088	.061	.96880571

Analysis of Variance (ANOVA)					
	Sum of squares	Df	Mean Square	F	Significance
Regression	18.836	6	3.139	3.345	.004
Residual	196.164	209	.939		
Total	215.000	215			

The model (model results presented in table 7.21) is created in order to assess how market competition can have an impact on the usage of marketing activities. The model is statistically significant ($F(6,209)=3.345$, $p < .05$) with the R^2 value indicating that

8.8% of variance in market competition are explained. In this model, we can see that *service quality* has a negative and significant relationship ($\beta = -.224, p < .05$) with market competition. Similarly, the factor *product* also has a negative and significant relationship ($\beta = -.205, p < .05$) with market competition. The results from this model implies that market competition has a significant relationship with the *usage of marketing activities*.

7.5 Summary

In this chapter, we presented the second chapter of the data analysis performed on the data collected. The presentation of the results focused on answering the research objectives posed for this study, and various relationships have been found to be significant. These results will be discussed in more detail in the next chapter, which will be specifically answering the research questions.

CHAPTER 8: DISCUSSION

8.0 Introduction

In the previous chapters, we have presented the analyses of the data that were performed, which includes basic descriptive statistics as well as factor analysis and multiple regressions. This chapter will be presenting the discussion of results of the data analysis performed for this research. This discussion will be structured according to the key research objectives for this study.

8.1 Entrepreneurs' view of marketing in terms of *Importance*

Brush (1992) stated that specific information about markets, customers, competitors and general knowledge of population, socio-cultural and demographic trends are important to new venture success. New ventures face substantial liabilities of newness, and these liabilities lead to higher failure rates of new firms compared to older ones. Therefore, marketing is critical to the success of new entrepreneurial ventures (Bjerke and Hultman, 2002; Beverland and Lockshin, 2004; Gruber, 2004; Hills *et al.*, 2010), although some entrepreneurs may tend to underestimate the importance of marketing (Kraus *et al.*, 2010). The results from this research indicate that even though the level of perceived importance may be low, most of the entrepreneurs still place some degree of importance on marketing activities when it comes to the management of their businesses. Furthermore, it was found that most of the entrepreneurs view marketing activities, such as *service quality*, *market research* and *segmentation and targeting*, as more important than the rest of marketing activities. *Service Quality* appears to constitute the most important marketing activities to the entrepreneurs in this research. This is followed by the importance placed on *market research*, *segmentation and targeting*, *product*, *advertising* and, lastly, *selective distribution*. The results are in line with previous empirical studies (i.e. Gungaphul and Boolaky, 2009; Phua and Jones, 2010), which found that entrepreneurs view marketing as an important function in achieving their business goals. Day-to-day marketing activity is critical to entrepreneurial success, while marketing success requires commitment to stability and careful planning, particularly for

small firms in markets dominated by larger incumbents (Beverland and Lockshin, 2004).

8.2 Entrepreneurs' Usage of marketing activities

The results show that most the entrepreneurs do use all the groups of marketing activities in the management of their businesses even though the level of usage varies for each groups of activities. This result seem to indicate that the entrepreneurs have a form of marketing strategy even though the levels and method of application in which each marketing activities is used may be different from that of large companies or textbook marketing. This indication of the existence of market strategies in the ways the entrepreneur manages his/her business came from comparing the usage of marketing activities to the marketing strategy model (Dibb *et al.*, 1997) previously identified (figure 3.4, p.74). Marketing activity is critical to entrepreneurial success (Beverland and Lockshin, 2004) even though it can be an informal process (Packham *et al.*, 2005). Various research studies have found that entrepreneurs have a market orientation in terms of the way their organisations are managed (Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010). Similar results were found by Phua and Jones (2010), suggesting that the marketing strategies of the new entrepreneurial ventures are very similar to the formal marketing strategy model (figure 3.3 and 3.4), matching almost all of the components, although the application of the strategy may not be formalised. The data suggest that this group of entrepreneurs had a sophisticated and intuitive grasp (Stokes and Blackburn, 1999) of the key elements associated with a formal approach to market planning. This finding seems to contradict the view that small firm marketing tends to be simplistic, haphazard, undisciplined and spontaneous (Carson, 1998; Carson and Gilmore, 2000).

The results for the usage of marketing activities are in line with the entrepreneurs' views of whether marketing activities are important to their business management. The ratings on the usage of marketing activities indicate that even though the usage can be low, the entrepreneurs do use marketing activities in their business management. Most of the ratings are at the *low* to *high* levels except for selective distribution which is rated *very low* to *low*. The sequence of the marketing activities used by the entrepreneurs in descending order by level of usage starts off with *service quality* being the most highly used. This is followed by *market research*, *segmentation and targeting*, *advertising*,

product and lastly, *selective distribution*. These results coincide with previous studies (Blankson *et al.*, 2006; Hills and Hultman, 2006; Gungaphul and Boolaky; Phua and Jones, 2010) conducted in this area, which found that entrepreneurs do use marketing activities in the management of their businesses, although the methods of usage can be informal compared to conventional textbook marketing practices. For example, Blankson *et al.* (2006) confirmed that small businesses exhibit a distinct marketing style with a strong emphasis on customer care. Similarly, the results from this study identified that the group of marketing activities that appears to have *high* or *very high* usage is *service quality*, or in other words, customer care. Phua and Jones (2010) confirmed that the entrepreneurs do utilise marketing tools in the management of their businesses, although the marketing strategy is not formalised with the level of sophistication found in large organisations or traditional marketing textbooks (Hills and Hultman, 2006; Phua and Jones, 2010).

8.3 Impact of perception of *Importance* on actual *Usage*

The *t*-test results indicate that the data representing *important* and *usage* are statistically independent allowing them to be considered separately without redundancy. Further, highly significant strong correlations exist linking the perception of marketing and the actual usage of marketing, indicating that entrepreneurs who think that marketing activities are important also have a high usage of marketing activities. In turn, these results also imply that perception of marketing activities has an impact on the usage of market activities. As previously mentioned, this pattern can be seen in how the usage of marketing reflects on the perception of importance. The usage of *service quality* and *market research* as well as *segmentation and targeting* is reflective of the entrepreneurs' views on importance, being higher in ratings in importance and usage and for *selective distribution*, being low in ratings in importance and even lower in actual usage. There are two factor groups that do not fit in the same pattern as the others previously mentioned. Although *advertising* is seen as lower in importance than four of the other groups of marketing activities, it seems that in actual practice the entrepreneurs do use *advertising* more than being concerned for the *product* related marketing activities, which was viewed as more important than *advertising*. This can be related to the fact the entrepreneurs' focus is on product related activities is on the product development stage. This is in line with Gungaphul and Boolaky (2009), which found that entrepreneurs use

marketing to a large extent, although some apply it unknowingly, and tend to emphasise product development rather than improving product offering based on customer needs and wants. However, when it comes to the actual practical usage of marketing activities, their concern becomes focused on advertising instead of on further product development (enhancement) from customer feedback.

8.4 Impact of *Marketing Activities* on *Business Performance*

The results (table 7.81) show that the perception of *importance* regarding marketing activities does not have an impact on business performance. However, the *usage* of marketing activities was found to have an impact on the business performance of the entrepreneurs. In the usage model (table 7.82), we can see that *service quality* and *market research* both have a positive and statistically significant relationship with business performance; thus, when *service quality* or *market research* goes up, so does *business performance*. The factor, *selective distribution*, has a negative and statistically significant relationship with business performance; thus, when *selective distribution* goes down, *business performance* goes up. Generally, the results from the model implies that *service quality* and *market research* contribute positively to business performance for entrepreneurial businesses. However, being concerned about having *selective distribution* has a bad impact on business performance; this could be related to the small scale operations that is the nature of the entrepreneurial businesses in general, as well as for this research. This distinct style fits with company size, the entrepreneurs' personality, available resources and the nature of the operating environment (Blankson and Omar, 2002; Stokes, 2002). The results from this research are in line with previous research. For example, Vehees and Meulenbergh (2004) found evidence of the positive impact of market orientation on firm performance and concluded that small businesses' market intelligence and homogeneous offerings were positively related to performance and the selection of attractive product assortment. Evidence from the study by Blankson *et al.* (2006), also indicated that entrepreneurs with their distinct marketing style positively affects business performance, despite the absence of a formal approach. Numerous other studies (e.g. Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010) have also shown that market orientation has a positive impact on business performance or success. Other entrepreneurship researchers (e.g. Morris and Sexton, 1996; Zahra and Garvis, 2000; Atuahene-Gima and Ko, 2001) who attempted to investigate the

relationships between entrepreneurial orientation (EO), marketing orientation (MO) and corporate success not only showed that there are positive correlations to performance, but that there is also an alignment between entrepreneurial orientation and marketing orientation.

8.5 Impact of *Market Competition* on *Marketing Activities*

Markets are recognised as arenas of dynamic, rivalrous competition in which firms are engaged in a constant struggle to establish and maintain an advantage over competitors (Alderson, 1957). Marketers live in a turbulent and uncertain world characterised by ever-faster changes in markets, technologies, competitors, society and people's behaviour (Schindehutte and Morris, 2010). In free and open markets, a firm will enjoy an advantageous market position, or competitive advantage, only if its customers perceive that the firm offers the highest value proposition (Miles and Darroch, 2006). Therefore, the reason that customers choose to purchase from one firm over any other firm rests on that firm's ability to create superior value propositions for its customers through product differentiation, cost leadership, quick response, or some combination of these bases for competitive advantage (Miles and Darroch, 2006). If a firm has a superior market position, or competitive advantage, it will generate superior financial returns over its competitors (Hunt, 2000; Hill and Jones, 2004). The results (table 7.84) show that *market competition* has an impact on the perception of *importance* of marketing activities. However, the only factor that has a statistically significant impact is *service quality*, which has a negative relationship with *market competition*. This implies that when *market competition* goes up, *service quality* goes down, implying that when *market competition* is high, the importance placed on *service quality* decreased. The results from the *usage* model (table 7.85) shows that *market condition* has a statistically significant impact on the *usage* of marketing activities. In the *usage* model, we can see that *service quality* and *product* both have negative relationships with *market competition*. These results imply that when *market competition* goes up, both the usage of *service quality* and *product* related marketing activities go down, suggesting that the entrepreneurs tend to reduce the focus on *service quality* and *product* related marketing activities in times of high competition.

8.6 Summary

This research has provided some interesting results that illustrate the entrepreneurs' perceptions and preferences when it comes to marketing activities. The entrepreneurs indicate that they view marketing activities as important, even though in some cases the level of importance attached to them is low. The order in terms of perceived importance of the marketing activities showed *service quality* as the most important, followed by *market research*, *segmentation and targeting*, *product*, *advertising* and, lastly, *selective distribution*. The results for the usage of marketing activities are mostly in line with the entrepreneurs' views of whether marketing activities are important to their business management. The order in terms of actual usage of the marketing activities showed *service quality* as the most highly used, followed by *market research*, *segmentation and targeting*, *advertising*, *product* and, lastly, *selective distribution*. At the same time, it was found that there are similarities in the entrepreneurs' usage of marketing activities and the model of a formal marketing strategy. The ways in which the results of *usage* are mostly reflective of the results of *importance* indicate that the perception of *importance* does have an impact on *usage*. The perception of *importance* of marketing did not seem to have an impact on *business performance*. However, the *usage* of marketing activities has an impact on *business performance*. *Service quality* and *market research* contribute positively to business performance for the entrepreneurial businesses. However, being concerned about having *selective distribution* has a negative impact on business performance. It is found that when *market competition* is high, the importance placed on *service quality* decreased. The entrepreneurs also seem to reduce the focus on *service quality* and *product* related marketing activities in times of high competition.

CHAPTER 9: CONCLUSION

9.0 Introduction

There is no doubt that entrepreneurship is growing in popularity and importance, as is evident in the increasing amount of interest shown for this domain in both practice and academia. Since the 1980s, researchers have been attempting to create links between two distinct fields of study: entrepreneurship and marketing (Kirkpatrick, 1983; Siu and Kirby, 1998; Stokes, 2000; Carson and Gilmore, 2000; Morris *et al.*, 2002; McCartan-Quinn and Carson, 2003). Marketing is critical to the success of new entrepreneurial ventures, but this is a topic that has received very little attention from scholars of either marketing or entrepreneurship (Phua and Jones, 2010). In the previous chapters, the literature, the conceptual framework of this research, the results of the data analysis and a discussion of the results, have been presented. In this chapter, we will be concluding this research as well as identify the limitations of the research and make recommendations for future research in this area.

9.1 Conclusion

It is important to study marketing because it permeates society (Dibb *et al.*, 1997). This prevalence stems from how marketing activities are performed in both business and non-business organisations, helping business organisations generate the profits and income that are the life-blood of an economy. The study of marketing enhances awareness, marketing practice has the potential to improve business performance and marketing costs absorb half of what the consumer spends. It has been well established that marketing activities have influence on intermediate outcomes (customer thoughts, feelings, knowledge, and ultimately, behaviour), which in turn influence the financial performance of the firm (Hills and LaForge; Morris *et al.*, 2002; O'Sullivan and Abela, 2007; Hills *et al.*, 2010). The combination of marketing activities can be thought of as an effective strategy that can allow new businesses to gain sales by providing products and/or services that offer benefits to customers superior to those of their competitors

(Phua and Jones, 2010).

The literature review that was conducted provided an illustrative view of the current state of knowledge in the field of marketing, especially in marketing as related to that of small entrepreneurial business. However, it has even been suggested that marketing theories are not applicable to real marketing practices for small and medium enterprises, or even for that of large firms, from which these theories were first derived due to the gap between theory and practice (Fillis and Rentschler, 2005; Phua and Jones, 2010). It has also been found that there is a lack of empirical data on this area (Carson, 2010) and that most of the research related to the study of small and medium enterprises tend to be qualitative in nature (Collinson and Shaw, 2001; Gruber, 2004). In response to these findings, this research produced empirical quantitative data in an attempt to add to the current field of knowledge in this area.

Opportunity identification is an essential step in the early stages of formulating and launching a new venture, and may also occur to greater or lesser degree throughout the life of the enterprise and the life of the entrepreneur (Hills *et al.*, 2010). However, it is insufficient to stop at the identification of opportunities; an opportunity only becomes valuable upon further development and exploitation in order to gain the desired rewards. Marketing must be used appropriately by an entrepreneur to launch and develop a new venture successfully. However, many entrepreneurs have a limited understanding of marketing, and they are often poor planners and managers (Hisrich, 1992). It has been suggested that formal business plans are uncommon amongst small firms, especially those at the very early stages of operation (Gibson and Cassar, 2002), during which entrepreneurs are faced by high levels of uncertainty and much of their decision-making is based on assumptions rather than historical trends (Gruber, 2007). Nevertheless, it has been suggested that younger firms can benefit from a more structured approach, particularly when it is focused on marketing and sales (Robinson *et al.*, 1984; Bracker *et al.*, 1988). In addition a positive relationship between planning and new firm performance has also been recognised (Shane and Delmar, 2004). Marketing, practiced well, improves business performance (Dibb *et al.*, 1997) and has been seen as a prerequisite to good performance and business growth (Tzokas *et al.*, 2001). Strong marketing strategies are clearly important to the effectiveness of an organisation (Smith, 2003) and so the effectiveness of marketing strategy processes is an important

consideration for both academics and professionals. This research allowed the opportunity for academics to have a more in-depth understanding of the perceptions and usage of marketing activities by entrepreneurs and more specifically that of entrepreneurs in small business start-ups.

Entrepreneurs have been found to have the tendency to underestimate the importance of marketing (Kraus *et al.*, 2010), although some entrepreneurs have been found to have an intuitive grasp of the key elements associated with a marketing strategy (Phua and Jones, 2010) or have been found to have a market orientation in terms of the way their organisations are managed (Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Reijonen and Komppula, 2010). This research has provided some interesting results from the attempt to identify the marketing activities utilised by entrepreneurial small business start-ups that illustrate the entrepreneurs' perceptions and preferences when it comes to marketing activities. The entrepreneurs indicate that they view marketing activities as important, even though in some cases the level of importance is low; it is still viewed as being important as compared to *not important at all* or *very low importance*. The perception on the importance of the marketing activities of the entrepreneurs in descending order is as such: service quality (high), market research (high), segmentation/targeting (high), product (low), advertising (low), selective distribution (low). There were no groups of activities that have an average rating of *very low importance* or *not at all important*.

Similar results were found in previous empirical studies (i.e. Gungaphul and Boolaky, 2009; Phua and Jones, 2010) indicating that entrepreneurs view marketing as an important function in achieving their business goals. The results for the usage of marketing activities are mostly in line with the entrepreneurs' views of whether marketing activities are important to their business management. The entrepreneurs' usage of the marketing activities in descending order is as such: service quality (high), market research (low), segmentation/targeting (low), advertising (low), product (low), selective distribution (very low). The only group of activities with a very low rating is *selective distribution*, indicating that the entrepreneurs are not very concerned about issues with regard to distribution channels. This could be a result of the lack of resources to manage distribution channels related issues or the preference for personalised services which has been viewed as a source of differential advantage against competitors (Phua

and Jones, 2010). This link to lack of resources is related to the fact that the entrepreneurs involved in this study are from disadvantaged areas and backgrounds that often have the ideas and ambition to succeed in a business but lack the ability to find support and finances relevant to their needs.

This research was designed through the use of identifying a comprehensive marketing strategy model that included all key components of a formal marketing strategy applicable to large firms from which the original marketing theories were originally derived. Subsequently, pre-tested measures that make up each key component were included as marketing activities that were used to assess the entrepreneurs' perceptions and utilisation levels. Through the use of this research design, the similarities in the marketing activities between the entrepreneurs' marketing strategy and that of a formal marketing strategy became apparent. It was found that there are similarities in the usage of marketing activities to that of a formal marketing model although the marketing strategy is not formalised with the level of sophistication found in large organisations or traditional marketing textbooks (Hills and Hultman, 2006; Phua and Jones, 2010). The 'lack of sophistication' relates to the fact that they only use marketing activities that makes up seven (two components related to *product* was combined into one during factor analysis) out of eight original components, leaving out the construct 'premium pricing'. This is generally because the entrepreneurs do not think they should place products at premium prices essentially due to the fact that they use the 'low price' as a differential advantage, as previously mentioned. Further, they only use eighteen out of the twenty-nine activities that made up the eight original components, indicating that the level at which they consider each key component is different and less intensive than that of a formal marketing strategy. At the same time, considering their limited resources, it will also be difficult for them to engage professional services to help them with their marketing activities, such as for market research. The entrepreneurs conduct their own market scanning instead of engaging marketing research professionals. These similarities between the entrepreneurs' marketing strategy and a formal marketing strategy seem to contradict the view that small firm marketing tends to be simplistic, haphazard, undisciplined and spontaneous (Carson, 1998; Carson and Gilmore, 2000). These results coincide with previous studies (Blankson *et al.*, 2006; Hills and Hultman, 2006; Gungaphul and Boolaky; Phua and Jones, 2010), which found that entrepreneurs do use marketing activities in the management of their businesses, although the methods of

usage can be informal compared to conventional textbook marketing practices.

The ways in which the results of *usage* are mostly reflective of the results of *importance* indicate that the perception of *importance* does have an impact on *usage*. This can be related to the attitude-behaviour theories that have been well documented, such as the *theory of planned behaviour* or the *theory of reasoned action* (Fishbein and Ajzen, 1975). The theory of planned behaviour specifies the nature of relationships between beliefs and attitudes, whereby people's evaluations of, or attitudes toward behaviour are determined by their accessible beliefs about the behaviour. In this context, a belief is defined as the subjective probability that the behaviour will produce a certain outcome and the evaluation of each outcome contributes to the attitude (Fishbein and Ajzen, 1975). It can be seen from this research that the attitude towards *usage* reflects the entrepreneurs' initial perceptions of *importance* with regard to the marketing activities. The results indicate that it is possible to encourage usage of marketing activities by demonstrating or educating entrepreneurs about how important marketing activities are for a business. Furthermore, advice or education could include ways in which to utilise marketing activities at an efficient and/or effective level for the entrepreneurial small businesses. The inclusion of such advice or education can likely lead to increase business survival and/or success rates for those businesses.

The perception of *importance* of marketing does not seem to have an impact on *business performance*. On the other hand, the *usage* of marketing activities has an impact on *business performance*. *Service quality* and *market research* contribute positively to business performance for the entrepreneurial businesses. This can be related to the fact that entrepreneurs have been found to do routine scans for market information related to customers and competitors through personal and impersonal sources (Brush, 1992; Phua and Jones, 2010). The information gathered allowed the entrepreneurs to utilise counter strategies such as lowering prices, personalised services, updating range of products as well as catering to specific customer needs (Phua and Jones, 2010). These activities therefore result in positive contributions to the business performance, the market research generates a source of information that allows the entrepreneurs to thus develop ways in which to create differential advantage.

However, being concerned about having *selective distribution* has a negative impact on

business performance. This negative impact could be a reason why *selective distribution* is the only marketing activity with a *very low* rating in usage under normal circumstances. It can imply that the negative impact from experience and/or prior knowledge created the perception of lower *importance* as compared to all the other groups of marketing activities. At the same time, this can also imply that these entrepreneurs should logically not be concerned about *selective distribution* related activities, which might in turn improve their business performance. As was previously mentioned, the entrepreneurs' preference for *personalised services* is used as a source of differential advantage against competitors Phua and Jones (2010), and personalised services are tougher to deliver when utilising other distribution channels instead of self-distribution.

Another interesting result is that when *market competition* is high, the importance placed on *service quality* decreased. On top of viewing *service quality* as less important during such times, the entrepreneurs also seem to reduce the usage of *service quality* and *product* related marketing activities in times of high competition. This is in contrast to the idea of entrepreneurs utilising *personalised services* as a form of differential advantage against competitors, as previously suggested. This can imply that the entrepreneurs are less concerned about having a differential advantage such as *personalised services*, when competition is high, and instead place more importance on other aspects of marketing activities that must seem more effective and/or efficient. In other words, this finding implies that entrepreneurs do not view *personalised service* as a sufficiently aggressive method of competing in times of high competition. This view of lesser importance, results in lesser usage. In line with the idea of the reduction in importance and usage, the entrepreneurs also seem to reduce focus on product related activities in times of high competition. This implies that the entrepreneurs do not think product related activities (i.e. product development) are effective or efficient when the market competition is high. This distinct style fits with company size, the entrepreneurs' personality, available resources and the nature of the operating environment (Blankson and Omar, 2002; Stokes, 2002). Previous related research (Phua and Jones, 2010) indicated that entrepreneurs may use various counter strategies against competitors; lowering prices, personalised services, updating range of products and catering to specific customer needs. Considering that both *personalised services* as well as *product* related activities are reduced in the current research in times of high competition levels, it seems to imply that the entrepreneurs consider *lowering prices* and *catering to specific*

customer needs to be more efficient and/or effective during such times.

Market orientation in the conduct of business is a focus on satisfying the needs and wants of customers; this approach is based on the premise that greater customer satisfaction enhances the profits of the firm (Carter, 2006). Despite the absence of a formal approach, numerous other studies (e.g. Narver and Slater, 1990; Appiah-Adu and Singh, 1998; Vehees and Meulenbergh, 2004; Blankson *et al.*, 2006; Reijonen and Komppula, 2010) have also shown that market orientation has a positive impact on business performance or success. Market orientation emphasises long-term focus and profitability and helps a firm: to create superior value for customers, to achieve superior competitive advantage and, consequently, to obtain above-normal market performance (Narver and Slater, 1990; Becherer *et al.*, 2003). There is a need for more market interaction (Sanz-Velasco, 2006) or market orientation (Narver and Slater, 1990) on the part of the entrepreneurs. Generally, the results do indicate that the entrepreneurs do view marketing as important and utilise marketing tools in the management of their businesses. However, we do not suggest that market planning undertaken by the entrepreneurs was formalised in terms of using ‘sophisticated analytical tools’ (Woods and Joyce, 2003) or preparing written business or marketing plans (Shane and Delmar, 2004). Rather, what our data suggest is that this group of entrepreneurs had a sophisticated and intuitive grasp (Stokes and Blackburn, 1999) of the key elements associated with a formal approach to market planning. Furthermore, although our study has concentrated on formal approaches to marketing we acknowledge that this does not exclude entrepreneurs from adopting informal marketing practices. In fact, it would be difficult to establish a new business without making use of existing network connections to promote the new company’s products and services (Klyver, 2007). Recognition of social capital’s value to nascent entrepreneurs has been one of the most important recent developments in the study of business start-up (Casson and Guista, 2007; Madsen, Neergaard and Ulhoi, 2008). However, our key objective was not to examine the range of marketing approaches used by those engaged in new venture creation but instead to focus on the extent which the practices adopted by new entrepreneurs were similar to a formal model of marketing. By focusing the study this way, it was shown that there are similarities in the usage of marketing activities to that of a formal marketing strategy model that is not formalised with the level of sophistication found in large organisations or traditional marketing textbooks.

The competition among firms is self-escalating and co-evolving and firm performance depends on matching or exceeding the innovative moves of rivals, whose performance then suffers, motivating these rivals to engage in their own innovative moves (Schindehutte and Morris, 2010). In other words, marketers live in a turbulent and uncertain world characterised by ever-faster changes in markets, technologies, competitors, society and people's behaviour that require companies to run as fast as they can just to stay standing in the same place. In free and open markets, a firm will enjoy an advantageous market position, or competitive advantage, only if its customers perceive that the firm offers the highest value proposition (Miles and Darroch, 2006). Therefore, marketing is critical to the success of new entrepreneurial ventures (Bjerke and Hultman, 2002; Beverland and Lockshin, 2004; Gruber, 2004). As was aptly described by Teal *et al.* (2003) an effective strategy allows small businesses to gain sales by providing products and services that offer benefits to customers that are superior to those offered by competitors. It is therefore essential that we understand how entrepreneurial marketing actually works in practice; this knowledge will fill a gap within the entrepreneurship and marketing fields of study. There has been a lack of empirical research on entrepreneurial marketing; this study has provided more empirical data to this field, which allows for a better understanding of the practical aspects of entrepreneurial marketing. At the same time, this study has practical implications. By having a deeper understanding for the practical aspects of entrepreneurial marketing, we can use this knowledge to modify and improve the current teaching and/or training materials for the *marketing* part of entrepreneurial training programmes (for example, NES). We will be able to incorporate the most useful parts of the marketing concepts that are most relevant to the entrepreneurs. In turn this knowledge, when appropriately used, can improve the success rates of new entrepreneurial ventures.

9.2 Research Limitations

There are limitations for every piece of research conducted. One of the limitations for this research was the same time constraint faced by many researchers. Given more time, we would have preferred to collect more primary data, especially across a bigger region. It is possible that more primary data might allow us to find entrepreneurs who are not utilising any form of marketing strategies at all. Such data would have allowed for a

comparison study between those who use marketing strategies and those who do not.

Given more time, a longitudinal study would also be useful in assessing the long-term effects on the usage of the marketing strategies by the entrepreneurs. Using a longitudinal data set would allow a comparison of the impact of increment or decrement of the utilisation of each of the groups of marketing activities on business performance. The current set of data is not fully generalisable but is typical of NES businesses which constitute the majority of start-ups. Therefore it provides a clear idea of an entrepreneurial marketing strategy in new business start-ups.

9.3 Recommendations for Future Research

The recommendations for future research include collecting more primary data and seeking entrepreneurs who are not utilising any form of marketing strategy and assessing differences between the business performances and the entrepreneurs themselves. The additional data can come from expanding the research population to a bigger region in the United Kingdom or even including cross-country comparisons.

It would also be interesting to assess the longitudinal impact of marketing strategies, or lack thereof, for the entrepreneurial businesses. Furthermore, a comparison study between the NES entrepreneurs as compared to non-NES entrepreneurs might provide illuminating results on whether the NES training has an impact on entrepreneurs. The results from this comparison could be used to improve the training provided to potential entrepreneurs, as well as to provide extra training to entrepreneurs who already own businesses but desire help in sustaining their businesses. In turn, these training enhancements will have the potential advantage of enhancing entrepreneurial business success rates.

9.4 Reflections

As a concluding section to the thesis, the last objective of this research was to consult with and obtain opinions from experts (profiles in Appendix I) within the field of entrepreneurship with regards to the findings that have been derived from this study. This is an atypical part of the research, but it allowed for additional and intriguing

perspectives from the views of fellow researchers on the findings. It is also interesting to note that the entrepreneurship experts consulted for this part of the research all had previous research experience with regards to this category of 'start ups small firm entrepreneurs'. The findings generated from the research were summarised and presented to the experts who were then asked to provide their opinions based on their own expertise and perception on the area of research.

The opinions indicate that the experts are supportive of the findings generated from this research. The general consensus is that the results are interesting and one of the experts Dr. Lee, described it as being '*illustrative of the constitutive marketing activities adopted by the entrepreneurs*'. This description essentially implied that one of the key objectives of the research has been achieved. This research began with the key objectives of assessing if the entrepreneurs utilise marketing activities and if they do, identifying the marketing activities that are utilised by these start ups entrepreneurs in order for them to develop their business. This illustrative picture allowed for a more practical and interesting view of how these entrepreneurs prioritises and uses marketing activities in order to help their business. The results have shown that these entrepreneurs prioritise some marketing activities over others under normal circumstances and shift those priorities in accordance to market competition levels.

One of the other experts Dr. Rouse, expressed concern with regards to how the questions for the data collection were posed, suggesting that the marketing terms used might possibly be too technical and formal from her initial impression. This was also an original concern during the conception of this research and thus was specifically addressed by conducting pilot studies to determine which terms required further simplification. The terms that were flagged by the entrepreneurs were addressed and simplified to a point that is understandable to a layperson. It should be noted that the initial concern was that most of the terms will be potentially confusing to the entrepreneurs; however, the pilot results indicated that the entrepreneurs do not have problems with the terms, with a few exceptions. This is interesting because it seems to indicate that the entrepreneurs are mostly familiar with the idea and terms related to marketing activities as opposed to what is commonly believed. Dr. Rouse also suggested that the use of formal language around marketing is likely to depend heavily on industry sectors that the small firms trade in; that was not found to be the case in this research.

Apart from the terms that were simplified, there were no other language issues and industry sector did not present itself as a factor with regard to marketing language comprehension.

In general, the experts found the results to be intriguing. Dr. Lourenco pointed out that the entrepreneurs' preference for personalised service over selective distribution makes logical sense. However, Dr. Lourenco also found it odd that in times of high competition levels, the entrepreneurs reduced the focus on service quality and product related marketing activities. He expressed interest in understanding what the focus shifts to during high competition levels. The author agrees that this is an interesting angle to explore in order to assess what the entrepreneurs view as a more effective or efficient marketing activity when dealing with high competition. In previous related research, the entrepreneurs interviewed stated that they do regular market scans in order to assess the actions of competitors in order to utilise counter strategies against them. The counter strategies described by the entrepreneurs in that research includes marketing activities such as lowering prices, personalised services, updating range of products and catering to specific customer needs. The inclusion of this information from the previous research could suggest that the alternative marketing focus during times of high competition could possibly be on that of lowering prices or catering to specific customer needs. However, this angle is note-worthy and deserving of further exploration, the results of which will provide further insight into the entrepreneurs' choices of marketing activities and the reasons behind those choices.

The experts agree that these results will have implications for policy and for various steering groups, such as the Federation of Small Businesses (FSB), Small Business Council (SBC) and Chambers of Commerce. These results also provide interesting insight into the ways entrepreneurs manage their small businesses, which can in turn lead to more adequate support for entrepreneurs. The support and advice provided for the entrepreneurs will thus be more appropriate and insightful, therefore providing more efficient and effective help to the entrepreneurs. With adequate support, it will also lead to an improvement in the survival and/or success rates of entrepreneurial small businesses, which lead to improved economic situations. Small firm survival and/or success rates are especially related to economic situations especially for this research. The entrepreneurs involved in this study are sourced from the New Entrepreneurs

Scholarship programme, which was designed especially for entrepreneurs in disadvantaged areas to start business. People from disadvantaged areas and backgrounds often have the ideas and ambition to succeed in business, but many say they find it hard to find support and finance relevant to their needs. The programme helps disadvantaged entrepreneurs by providing the financial support as well as professional advice on managing and developing their business. This support will be enhanced with additional insight that can be provided from this research in terms of the types of marketing activities that are appropriate and adequate for their needs.

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APPENDIX I: PROFILES OF THE EXPERTS CONSULTED

EXPERT PROFILES

Dr. Julia Rouse

Dr. Rouse is the Director of Gender and Enterprise Research as well as a Principal Lecturer in Entrepreneurship at Manchester Metropolitan University. She holds a PhD in the field of Entrepreneurship. Dr. Rouse is a highly experienced researcher, who is currently one of the leaders for research at the Centre for Enterprise in the university. Her research interests include the creation of new knowledge to inform policy and practice through working with small businesses and their supporters in the real world. Her research serves to inform local, regional and national policy.

Dr. Robert Lee

Dr. Lee is a Senior Lecturer in the area of Innovation and Entrepreneurship at Manchester Metropolitan University. He holds a PhD in the field of Entrepreneurship. Dr. Lee's research area is on the relational capabilities and capital assets of entrepreneurs during new venture creation and capacity building. His research aims to shed light on the relationships between social network structures and interactional capabilities. He also has interests in the usage of mixed methods for data collection and analysis in order to provide a rich lens for comparative research.

Dr. Fernando Lourenco

Dr Fernando Lourenço is a Senior Lecturer at Manchester Metropolitan University. He holds a PhD in the field of Entrepreneurship. In 2009, Dr. Lourenco was awarded the National Enterprise Educators Award (UK). His research interests include entrepreneurship education, promoting green/social entrepreneurship, and enterprise education (developing enterprising behaviours, skills and attributes). He also has research interest in entrepreneurial process/opportunity/intentions.

APPENDIX II: THE QUESTIONNAIRE

MARKETING STRATEGIES & NES SCHOLARS:

MMU Business School has conducted two national NES surveys on behalf of the UK's NES partnership. In these surveys marketing and marketing strategies have been identified as an area for further research in order to assist new companies like yours to be able to use better marketing to grow their business.

This survey will only take approximately 10 minutes to complete. Your responses will help us to understand more about how new businesses *understand/perceive/utilise marketing activities* to create sustainable and growing businesses. Your responses will be particularly useful for the organisations who deliver NES to understand what has happened to you and your business and what they can do to change the programme to help future NES scholars. MMU will also use the results of this survey to influence local, regional and national government and agencies in how they assist companies just like yours!

If you have any queries, please feel completely free to contact the lead researcher: **Sabrina Phua** at **s.phua@mmu.ac.uk**, **Telephone Number: 0161 247 6076**. Please also contact us at the address below if you would prefer this document in large print, electronic or other format or if you need to complete the survey by telephone.

Please send your completed questionnaire using the reply-paid envelope provided by: **14th September, 2007**. Alternatively, please post to: **Sabrina Phua, Lead Researcher**, Centre for Enterprise (CFE), Manchester Metropolitan University Business School, Aytoun Street, Manchester, M1 3GH

If you would like to access the web version of this survey, please visit
<http://www.surveymonkey.com/s.asp?u=208583690711>

IF you would like a chance to win the prize draw, please provide your contact details, we guarantee that providing your personal details will not affect the confidentiality of your answers to this questionnaire.

**Prize Draw
winner will
receive an
Ipod**

NAME			
ADDRESS			
E-MAIL		Tel. No.	

SECTION A: YOU & YOUR NES ...

1. Please indicate which Month / Year you started with NES.

Month:		Year:	
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2. What stage are you at in terms of attending the NES programme? (☒ one only)

<input type="checkbox"/> Doing start-up course now	<input type="checkbox"/> Began but did not finish the programme
<input type="checkbox"/> Finished the programme	<input type="checkbox"/> Receiving on-going support

3. Which of the following region are you in? (☒ one only)

<input type="checkbox"/> East of England	<input type="checkbox"/> East Midlands	<input type="checkbox"/> London
<input type="checkbox"/> North East	<input type="checkbox"/> North West	<input type="checkbox"/> South East
<input type="checkbox"/> South West	<input type="checkbox"/> West Midlands	<input type="checkbox"/> Yorkshire and Humber

SECTION B: WHEN YOU STARTED NES ...

4. Why did you decide to start a business rather than work in a job? (☒ all that apply or 'None of these'.)

<input type="checkbox"/> Could not get a particular job	<input type="checkbox"/> Could not get a well-paid job
<input type="checkbox"/> Find it hard to mix job and family	<input type="checkbox"/> Find it hard to work for others
<input type="checkbox"/> Improve my status within the society	<input type="checkbox"/> None of these

5. Do you have family or friend(s) who have had experience of owning a small business or are being self-employed? (☒ all that apply or 'None of these'.)

<input type="checkbox"/> Parent(s) / Step-Parent(s)	<input type="checkbox"/> Personal Partner / Spouse
<input type="checkbox"/> Other Family Member(s)	<input type="checkbox"/> Friend(s)
	<input type="checkbox"/> None of these

6. Have you ever owned a small business or been self-employed before NES? (☒ one only)

<input type="checkbox"/> YES	<input type="checkbox"/> NO	<input type="checkbox"/> NO – But I have done some informal trading
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7. Did you have any business management training before NES? (☒ all that apply or 'None of these'.)

<input type="checkbox"/> As part of an academic course or vocational course	<input type="checkbox"/> Attended a short course
<input type="checkbox"/> On-the-job training	<input type="checkbox"/> None of these

SECTION C: ABOUT YOU ...

8. What month/year were you born?

Month:		Year:	
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9. Please indicate which gender group you belong to. (☒ one only)

<input type="checkbox"/> Female	<input type="checkbox"/> Male
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10. Please indicate which ethnic group you belong to. (☒ one only)

<input type="checkbox"/> White British	<input type="checkbox"/> White Non-British
<input type="checkbox"/> Asian British	<input type="checkbox"/> Asian Non-British
<input type="checkbox"/> Black British	<input type="checkbox"/> Black Non-British
<input type="checkbox"/> Other (Please Specify)	

11. What is your highest level of academic qualification? (For non-UK qualification, please ☒ equivalent)

<input type="checkbox"/> Postgraduate Degree Level	<input type="checkbox"/> Degree Level
<input type="checkbox"/> A' or A/S level	<input type="checkbox"/> GCSE / O' level (A – C)
	<input type="checkbox"/> No Academic Qualifications

12. Please tell us about your highest level of vocational qualification or ☒ 'Not Applicable'.

TYPE	e.g. NVQ, GNVQ, BTEC, RSA, City & Guilds, name of apprenticeship, etc	LEVEL	e.g. Level 1/2/3/4/5, National Certificate, Diploma, etc	SUBJECT	e.g. Engineering or Hairdressing, etc	Not Applicable

SECTION D: ABOUT YOUR WORK EXPERIENCE ...

13. What was your status when you joined NES? (☒ all that apply)

<input type="checkbox"/> Employed	<input type="checkbox"/> Unemployed
<input type="checkbox"/> Looking after Family	<input type="checkbox"/> Training / Education
	<input type="checkbox"/> Self – Employed / In – Business

14. Please answer the following questions with reference to the most recent / last employee job you held, before you started NES.
(Please ☒ 'Not Applicable', if you have never had a job.)

Job Title:	Length of Last Job:	Month(s)	Year(s)
Hour (s)	<input type="checkbox"/> Full Time	<input type="checkbox"/> Part-Time	
Contract	<input type="checkbox"/> Permanent	<input type="checkbox"/> Temporary	
<input type="checkbox"/> Not Applicable (Never had a job)			

SECTION E: WHAT ARE YOU DOING NOW ...

15. What is your employment status now? (☒ all that apply)

<input type="checkbox"/> Employed	<input type="checkbox"/> Unemployed
<input type="checkbox"/> Looking after Family	<input type="checkbox"/> Training / Education
	<input type="checkbox"/> Self – Employed / In – Business

16. What stage are you at in terms of setting up the business that NES supported? (☒ one only)

<input type="checkbox"/> Developing a business plan	<input type="checkbox"/> Setting up the business
<input type="checkbox"/> Running the business	<input type="checkbox"/> Decided not to start the business (<i>Please GO to Section G</i>)
	<input type="checkbox"/> Closed the business

17. What month/year did you start trading in your NES business? (OR when do you expect to trade?)

Month:		Year:	
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18. What sort of business did you start? (OR plan to start)

19. Which of the following does your business have (OR had before it closed)? (☒ all that apply)

<input type="checkbox"/> Business Partners	<input type="checkbox"/> Staff (Excluding Yourself)
<input type="checkbox"/> Sub – Contractors	<input type="checkbox"/> Business Premises
<input type="checkbox"/> None of these	

20. Which of these three stages are you at? (☒ one only)

<input type="checkbox"/> Planning to Start-Up	(<i>Please GO to Section G</i>)
<input type="checkbox"/> Still Trading	(<i>Please GO to Section F</i>)
<input type="checkbox"/> Closed the Business	(<i>Please Continue Answering All Questions</i>)

21. If you have closed the business supported by NES, which Month/Year did it close?

Month:		Year:	
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22. Can you please describe the reason(s) for deciding to close the business?

NOTE: If you have already CLOSED your business, please answer the questions in Section F according to the status of your business at the time of closure.

SECTION F: ABOUT THE BUSINESS ...

23. How satisfied are you with your business performance? (☒ a level for each of the elements)

Satisfaction with business performance in terms of...	Totally Unsatisfied	Un-Satisfied	Neutral	Satisfied	Totally Satisfied
Sales Growth					
Return on Sales					
Cash Flow					
Net Profits					
Growth of the business					

24. How will you classify your business's sales for the most recent year? (☒ one, if unsure, please estimate)

<input type="checkbox"/> No Growth	<input type="checkbox"/> Under 9%
<input type="checkbox"/> 10% to 24%	<input type="checkbox"/> 25% to 49%
<input type="checkbox"/> 50% to 99%	<input type="checkbox"/> Over 100%

25. Can you please describe the employment rate of your business? (Excluding Yourself)

Number employed at Start-Up		Number employed at the end of <u>First Year</u>		Present employment	
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26. What is your main objective for the business in the next two years? (☒ one only)

<input type="checkbox"/> To grow rapidly	<input type="checkbox"/> To expand moderately
<input type="checkbox"/> To remain about the same size	<input type="checkbox"/> To downsize / consolidate the business
<input type="checkbox"/> To sell the business	<input type="checkbox"/> To close it down
<input type="checkbox"/> To hand on the business / succession	

27. Do you consider these statements to be 'Positive' or 'Negative' for your business in 5 Years time?

Perceptions of Business ...	Very Negative	Negative	Neutral	Positive	Very Positive
25% increase in the number of employees in <u>5</u> years					
100% increase in the number of employees in <u>5</u> years					

28. In **FIVE** years time.....

Your preferred size of the business (number of employees)		Your preferred size of the business (sales turnover)	£
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SECTION G: THE MARKETING ASPECTS ...

29. Do you 'Agree' or 'Disagree' with the following statements about the market that your business is/was/will be competing?

Market Competition...	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Large companies dominate the market					
There is a lot of difference between firms in terms of product quality, customer service and marketing					
There is substantial untapped market potential					
The market is crowded – there are too many competitors					
The industry is in a high-growth stage of development					

NOTE: Please ANSWER both Question 30 and Question 31. They are different questions; please read the instructions carefully and answer both questions.

30. How **IMPORTANT** do you think the following elements of a marketing strategy are?

On a scale of 1 to 5, please ☒ the answer that you feel is most suitable in terms of your General Perception.

<i>Levels of IMPORTANT in terms of ...</i>	« « « « « IMPORTANCE » » » » »				
	1 Not at all	2 Very Low	3 Low	4 High	5 Very High
Learn about customer(s)					
Analyse competitors objective(s) and action(s)					
Collect information about industry trend(s)					
Divide market into sectors distinguished by different requirement(s)					
Evaluate which market(s) to target					
Focus marketing activities on specific segment(s)					
Attract new customer(s)					
Offer a broad product/service line					
Offer a focused product/service line					
Develop product(s) / service(s) that have a broad market appeal					
Develop new product(s) / service(s)					
Utilise feedback for new product(s) / service(s) ideas					
Rapid introduction of new product(s) and service(s)					
Provide service with a high degree of consistency and accuracy					
Respond quickly to customers' request(s) and problem(s)					
Clearly understand and communicate with customer(s)					
Provide better after-sales service as compared to competitor(s)					
Develop long-term relationships with key customer(s)					
Use of a 'higher-than-normal' level of pricing					
Use of a 'lower-than-normal' level of pricing					
Use price promotions and discounts					
Distribution through the best distributor(s) available					
Using distributor(s) with unique facilities					
Use of 'higher-than-normal' level of advertising					
Generate high quality advertising material(s)					
Use media advertising					
Use Web/Internet advertising					
Use direct mail advertising					
Use public relations					

NOTE: Please ANSWER the next Question.

31. Which of the following elements have you / will you **USE** in your business?

On a scale of 1 to 5, please ☒ the answer that you feel is most suitable in terms of your *Level of Usage for your business.*

<i>Levels of <u>USAGE</u> in terms of ...</i>	« « « « « LEVELS » » » » »				
	1 None	2 Very Low	3 Low	4 High	5 Very High
Evaluate which market(s) to target					
Offer a focused product/service line					
Utilise feedback for new product(s) / service(s) ideas					
Clearly understand and communicate with customer(s)					
Use of a 'lower-than-normal' level of pricing					
Use of 'higher-than-normal' level of advertising					
Use direct mail advertising					
Learn about customer(s)					
Collect information about industry trend(s)					
Attract new customer(s)					
Rapid introduction of new product(s) and service(s)					
Develop long-term relationships with key customer(s)					
Using distributor(s) with unique facilities					
Use Web/Internet advertising					
Offer a broad product/service line					
Analyse competitors objective(s) and action(s)					
Divide market into sectors distinguished by different requirement(s)					
Focus marketing activities on specific segment(s)					
Develop product(s) / service(s) that have a broad market appeal					
Provide service with a high degree of consistency and accuracy					
Provide better after-sales service as compared to competitor(s)					
Use of a 'higher-than-normal' level of pricing					
Use price promotions and discounts					
Distribution through the best distributor(s) available					
Use media advertising					
Use public relations					
Generate high quality advertising material(s)					
Respond quickly to customers' request(s) and problem(s)					
Develop new product(s) / service(s)					

32. Do you want to participate in future NES Research?

<input type="checkbox"/> YES	<input type="checkbox"/> NO
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Thank you very much for your participation.
If you would like a copy of the Executive Summary of the report which results from this survey, please e-mail:
s.phua@mmu.ac.uk

